

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday April 5 1988

Tough time ahead
for US bank
reforms, Page 3

Austria	Sk122	Indonesia	Rp3100	Portugal	Esc120
Belgium	Bel40	Ireland	Rs3.50	S. Africa	R12.50
Canada	C\$1.00	Japan	Yen100	Spain	Sk100
Cyprus	Cs2.95	Jordan	Flm500	Sri Lanka	Rs30
Denmark	Dk10.00	Lebanon	Ls125.00	Sweden	Sk9.00
Finland	Flm1.25	Malta	Mt100	Switzerland	Fr2.50
France	Fr74.50	Morocco	Md1000	Tunisia	Tm100
Germany	Dm2.50	Moscow	Rs1000	Turkey	Lm600
Greece	Dr12.00	Norway	Nkr1000	U.K.	£16.50
Hong Kong	Hk\$32	Spain	Rs10.00	USA	\$1.00
India	Rs12	Tunisia	Md1000		

No. 30,505

World News

US, Moscow 'prepare' for collapse of Afghan talks

Evidence mounted that the Soviet Union and the US are preparing for a breakdown in the UN-sponsored talks on Moscow's planned troop evacuation from Afghanistan.

US intelligence sources said that Mr Eduard Shevardnadze, the Soviet Foreign Minister, who has been in the Afghan capital since Sunday, was making contingency plans for the unilateral withdrawal of some of the 115,000 Soviet troops if the deadlocked Geneva talks were called off. Page 18

Mitterrand hints

President Francois Mitterrand of France has hinted that he believed South Africa was behind the murder of an African National Congress official in Paris, but ruled out breaking off diplomatic links with Pretoria. Page 18

Dalai Lama visits UK

The Dalai Lama, exiled Tibetan spiritual leader, arrived in the UK on a 10-day visit. An all-party parliamentary group condemned the British Foreign Office request that he make no political statements during the visit.

Ferry talks planned

Talks to end the strike by 2,300 seamen employed by P&O European Ferries which has disrupted sailings between Britain and France for the past eight weeks are expected to resume later this week. Page 10

Nuclear protests

About 10,000 people protested against nuclear weapons at Atherton in Berkshire, UK, while more than 200,000 people took part in weekend anti-nuclear rallies in West Germany. Page 10

War of cities resumes

Iran and Iraq traded missile strikes after a three-day lull in city attacks. Iraqi attacks resume. Page 2

Manila hunt widens

The Philippines army widened its search for coup-attacker leader Gregorio Honasan and accusations that the US was involved in his escape. Future of US bases, Page 6

Somali border pact

Ethiopia and Somalia have agreed to resume diplomatic relations and reduce military tensions on their border after talks in the Somali capital of Mogadishu.

Moscow radio attack

Soviet Communist Party daily newspaper, Pravda, accused Western radio stations of inciting Armenian unrest over the disputed region of Nagorno-Karabakh. Strikes continue. Page 2

Managua denial

The Nicaraguan Government denied accusations by Central American rebel leader Adolfo Calero that government troops violated a three-day-old ceasefire.

Colombia massacre

Hooded gunmen killed more than 30 Colombian peasants when they opened fire on a crowd at an Easter festival near the northern town of Buenvista.

UK boys die in Alps

Four British schoolboys, believed to be from the London area, slipped to their death yesterday in the Austrian Alps.

Boat people rescued

The French Navy rescued 40 Vietnamese boat people, including a pregnant woman and 11 children, in the South China Sea.

Secrets Act charge

Erwin van Haalem, 43, an art dealer of Southgate, London, is to appear before UK magistrates today charged with an offence under the Official Secrets Act.

Business Summary

UK sales of components to Japanese under review

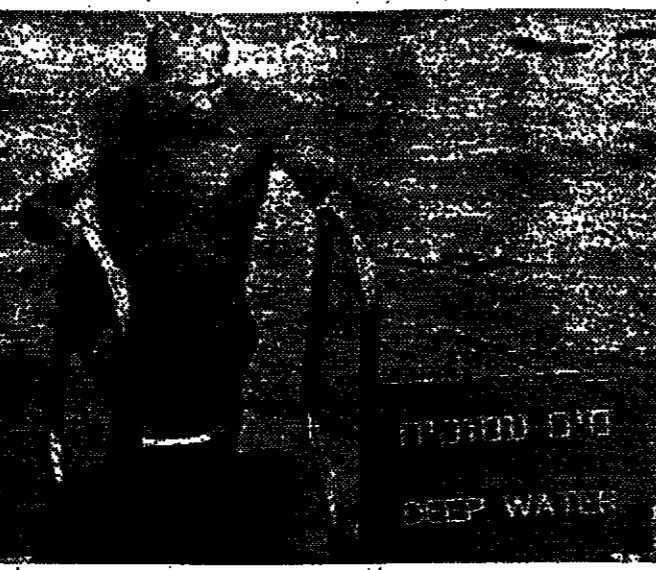
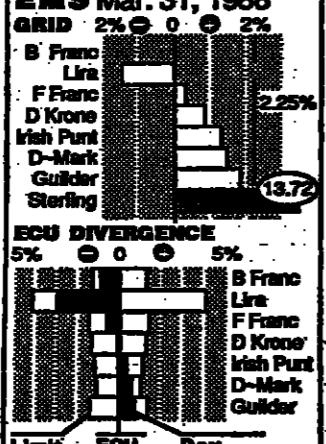
BRITAIN and Japan have launched a joint study to see how sales of British electronics components can be increased to Japanese companies with factories in the UK. Page 12

EUROPEAN Monetary System: A decline in the US dollar failed to put any strain on weaker members of the EMS last week. Unlike on most previous occasions, the D-Mark was not the prime beneficiary. Investors tended to switch out of dollars into yen and sterling.

Short-term interest rates have been allowed to fall sharply in Frankfurt, decreasing the D-Mark's attraction. A strong economic base in Japan and high UK interest rates provided more tempting alternatives.

The Bank of Italy sold D-Marks at Tuesday's fixing in Milan, although all currencies were trading well within their divergence limits.

EMS Mar. 31, 1988



Shultz testing the temperature of the water in Israel yesterday

European chips plan clouded by Siemens, SGS-Thomson dispute

BY GUY DE JONQUERES, INTERNATIONAL BUSINESS EDITOR, IN LONDON

PLANS FOR Western Europe's most costly and ambitious collaborative venture in semiconductor technology have been clouded by disagreements about which companies should be full members.

The dispute arises from apparent resistance by Siemens, the large West German electrical group, to demands by SGS-Thomson, Europe's second biggest microchip maker, to participate fully. SGS-Thomson was formed last year by a merger of Italian and French microelectronics companies.

The tensions have been underlined by sharp differences between those involved about what was actually discussed at meetings to plan the project and by suspicions of a future disagreement campaign through leaks to the press.

In French government circles, the implications of the disagreement are considered to go well beyond the planned venture and to raise wider questions about the future of European co-operation in advanced electronics.

Siemens is already working closely on the project with Philips of the Netherlands, Europe's biggest semiconductor maker. According to Durewest, a market research firm, Philips had world-wide semiconductor sales of \$1.5 billion last year. SGS-Thomson and Siemens \$857m.

The planned venture, Joint European Semiconductor, Silicon (Jesi), would aim to match US and Japanese efforts by developing the technologies to make microchips in the late 1990s. It is due to start at the end of this year and run until 1995. Much of

the total investments of more than DM3bn (\$1.8bn) would be financed by Bonn and The Hague.

SGS-Thomson is part of a French consortium which has been taking part in planning the venture. It says it wants to play a significant role in work on the core microchip technologies to be developed by Jesi and in a pilot production line on which they would be proven.

However, the company and the French Government have been angered by several recent press reports in which senior Siemens executives have appeared to rule out more than a secondary role for SGS-Thomson.

In an interview published last week by Tribune de l'Expansion, the French newspaper, Dr Hermann Franz, the director in charge of Siemens semiconductor operations was quoted as saying of Jesi: "Philips and Siemens will develop the technology itself. If SGS-Thomson could be associated with work on design and equipment," Mr Philippe Gervais, director of strategic planning at SGS-Thomson, said, said limited involvement "is of no interest to us and is unacceptable."

Siemens' response is that the French themselves ruled out a merger from the start, according to a memo by a member of the West German Jesi consortium at a meeting with their French and Dutch counterparts in Paris on February 18. The French delegation said it saw no basis for collaborating in the pilot production line.

Officials in Paris say they were "amazed" to learn of that version

of events.

According to the record taken by Mr Jacques Lacour, the senior official who heads the French consortium and who hosted the meeting, the French side had emphasized that it was determined to be fully involved in Jesi.

He suggested that further detailed discussions were needed between the companies on how to organise technical collaboration. He warned this might delay the project, on which the German and Dutch Governments aim to take firm decisions in June.

SGS-Thomson was at first slow to express a firm interest in Jesi and took four months to give its views on the project last year. It says its top management was fully occupied with reorganisation in the wake of the merger.

France is also doubtful about plans to build a brand-new research centre for Jesi in West Germany, arguing that the work could be done more cheaply in the participating companies' existing laboratories. There are strong suspicions in Paris that German eagerness to site the planned centre in Schleswig-Holstein is closely linked to the imminent election of a closely-contested state government in the state in May.

Siemens, which is riding high after its triumph in the Michigan elections 10 days ago, is now front-running in the race for delegates to the Democratic state government in a closely-contested election in July.

Each has 445 of the 2,023

delegates needed to nominate the party's presidential candidate.

Senator Albert Gore of Tennessee

and Senator Paul Simon of Illinois, the two remaining contenders, have won the support of about 365 and 166 delegates respectively, according to the

state's blue collar workers.

But how he goes down among the

state's blue collar workers.

Mr Jackson has been making a powerful pitch for the support of his core constituency of the Democratic Party.

Mr Dukakis' programme is rather short of meat, but smothered in spicy gravy.

That impression was

reinforced at a Washington breakfast last week when a group of academics and journalists heard the programme expounded by Mr Mark Stein.

Mr Jackson's issues adviser,

He was once on the staff of the Congressional Budget Office and might have been

expected to sound dry and specific. Not a bit of it. Mr Jackson was also in Washington that morning to attend a rather more widely publicised meeting, but his adviser sounded very like him. The feelings were strongly expressed but there was little sign of detailed analysis. This was economic protest as much as it was economic policy.

For Mr Dukakis, however, the

real test in Wisconsin is not the

Si convention delegates at stake.

Continued on Page 18

ground leadership of the Palestinian uprising in protest against the US peace plan. One person was killed in the West Bank village of Bani Naim near Hebron, but otherwise the day passed of relatively peacefully.

In a distinct switch of strategy, Mr Shultz has chosen to focus in his talks this time on the contents of a proposed two-stage solution for the Israeli-occupied territories. In addition, he has blitzed the local media with a series of personal appearances designed to calm Israeli fears of being captured by its main ally in a cult-de-sac.

At the start of his third shuttle

mission in six weeks, Mr Shultz held lengthy talks with Mr Yitzhak Shamir, the Prime Minister, as well as with his Labour Party coalition rivals, Mr Shimon Peres, the Foreign Minister, and Mr Yitzhak Rabin, the Defence Minister.

He was greeted by a general

strike throughout Arab East Jerusalem, the West Bank and Gaza Strip, called by the under-

ground leadership of the

Palestinian

ground leadership of the

OVERSEAS NEWS

Belgians try to settle on coalition

By David Butcher in Brussels

THE LEADERS of five of Belgium's political parties start serious talks today on forming a ruling coalition, against the backdrop of new evidence that the country's public finances are deteriorating in the absence of a proper government for the past 113 days.

Mr Guy Verhofstadt, budget minister in the outgoing administration of the caretaker premier, Mr Wilfried Martens, has forecast that Belgium's public borrowing requirement this year is likely to rise to 8 per cent of gross domestic product (GDP), compared to his original estimate of 7.4 per cent. This relative increase will be significant in that it would reverse the steady decrease in public borrowing from nearly 15 per cent of GDP in 1986 to about 7 per cent last year.

By spelling out hard economic truths on the eve of the new round of coalition talks, Mr Verhofstadt has not made these talks any easier. That, indeed, may have been his aim, because his PVV Flemish Liberal party is not included in the negotiations which encompass Flemish and French speaking Christian Democrats and Socialists, plus the Volksunie Flemish regional party.

Mr Jean-Luc Dehaene, a fellow member of the CVP Flemish Christian Democrats with Mr Martens, has been charged by King Baudouin with the task of trying to form a new government. If he succeeds, the successive centre-right government of Mr Martens will be replaced by a centrist coalition with the centrist Christian Democrats dropping partnership with the right-wing Liberals and joining hands with the Socialists.

Today Mr Dehaene is due to present a draft "governmental accord" to leaders of the five parties involved in the coalition talks. The trickiest problem concerns linguistic disputes.

ISRAELIS HOLDING 1,000 ARABS IN DESERT CAMP

Lawyers condemn 'insanitary' jail

BY ANDREW WHITLEY IN JERUSALEM

ABOUT 1,000 Palestinians from the West Bank and Gaza Strip caught up in recent sweeps through the occupied territories by the Israeli army are being held in the Negev desert under conditions of extreme hardship.

According to an association of international lawyers based in the West Bank, Law in the Service of Man, the detainees are suffering from inadequate water supplies, insanitary conditions and collective punishments. The detention centre, a rehabinited military base near the Egyptian border known as Kitayot Prison, or "Anvar Three", was opened last month to house an overflow of prisoners from the West Bank and Gaza Strip. Among them are so-called "administrative detainees"

Another Palestinian was killed yesterday by Israeli soldiers in the West Bank village of Bent Naim, near Hebron, bringing the death toll so far to a conservative figure of 124. Mr. Abd Al-Mohsen, aged 18, was the latest victim of a

series of political prisoners being held without trial for six months as well as Palestinians accused of such offences as throwing stones at army patrols.

In the first independent inspection of the Kitayot Prison, three lawyers - two of them American - were permitted last week to visit one of four strictly demarcated units within the camp. They reported that none of the prisoners had been allowed access to lawyers or family members.

Rabin's aggressive policy now, more aggressive policy announced by Defence Minister Yitzhak Rabin on Sunday.

Deserted beaches on paradise islands become a reality as sun-worshippers stay away, reports Canute James

Market crash blamed for fall in Caribbean tourism

WHEN TURMOIL overtook international stock markets in the first quarter of last year, Caribbean brokers hardly moved a muscle. The region's exchanges, with only local listings, were insulated, they argued. Only now are the effects of October's crash being felt - not in the markets, but in the fickle tourist trade.

Travel agents, hoteliers and finance ministers are pointing to soft bookings in a period - winter in the northern hemisphere - which is traditionally the high season for Caribbean tourism. They blame the collapse of the stock markets and suggest that the steady expansion in the industry over the past four years could be halted this year.

"Before the stock market crash, we were anticipating a bumper 1988," said Mr Jean Holder, executive director of the Caribbean Tourism Research and Development Centre, based in Barbados. "We had looked at the prospects for the North American and European markets, and had concluded that the outlook was positive. We now have to admit that because of the stock exchange crash which started in October, there has been a fall in tourism."

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The region's earnings from the travel trade last year are estimated at \$1.3bn, up from \$5.5bn in 1986.

Travel agents and tour operators in the US report that bookings this month for Caribbean holidays are down by about 20 per cent. They say there is concern among prospective travellers over the state of the US economy.

But Mr Edward Seaga, Jamaica's prime minister, has forecast an improvement, at least for the island's tourism. While

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OVERSEAS NEWS

Delvalle cautions on Panama sanctions

By Stewart Fleming, US Editor, in Washington

PANAMA'S deposed president, Mr Eric Arturo Delvalle, who is still recognised as head of government by the US, has expressed his opposition to any intensification of Washington's pressure to drive General Manuel Noriega, Panama's military强人, from power.

Mr Delvalle's views, reported yesterday in the New York Times, could influence the debate raging within the Reagan Administration over what steps Washington should take now in its efforts to remove General Noriega, who was indicted on February 5 in the US on drug smuggling and racketeering charges.

Mr Delvalle, who is in hiding in Panama, said there was no need for the US to take additional steps. "If the US continues the present pressure that will be enough," he said, adding that General Noriega is "desperately in search of funds and he isn't getting any."

He added that "an embargo or stronger economic sanctions might generate a negative effect towards the US and might not provide immediate effects."

The Reagan Administration is this week reinforcing its already strong garrison in Panama, dispatching a further 1,300 troops there to reinforce its security force guarding the Panama Canal. Last month it doubled the canal security force from 600 to 1,270.

In addition there are some 10,000 troops stationed in Panama, which is the headquarters of US Southern Command.

Several weeks of mounting pressure from Washington, which has helped to close down the banking system and deprive General Noriega's regime of the cash it needs to pay government workers, have so far failed to bring about the downfall of Mr Noriega. This has triggered a fierce debate in Washington about what the next steps should be.

US officials have indicated that a wide range of diplomatic, political and military options are under consideration but that no decisions have been taken yet.

There are indications, however, that the State Department feels that the pressure on General Noriega to quit should be intensified further immediately. However, the Pentagon is reportedly unenthusiastic about moves which could involve the US in military action in Panama.

Inflation gathers pace in Peru

By Barbara Durr in Lima

PERU's rate of inflation last month hit 22.6 per cent, the highest in the country's history. The abrupt increase, following 12.8 per cent in January and 11.8 per cent in February, put inflation at 17.8 per cent during the last 12 months.

Some independent economists are predicting that Peru's inflation will rise ahead to more than 500 per cent this year.

The government is hoping that the petrol, food and other price increases it announced early last month have been absorbed in a single blow, and that the price freeze it imposed will now reduce April's inflation to less than half March's rate.

The government appears to be aiming to contain inflation at 200 per cent this year, but there is a lot of scepticism about its chances.

While the government is making efforts to monitor its price controls, hoarding and speculation are widespread.

Argentina to open oil fields to private companies

By OUR BUENOS AIRES CORRESPONDENT

PRIVATE SECTOR oil companies are to be allowed to operate in Argentine oil fields, until now the sole domain of the state oil corporation, Yacimientos Petrolíferos Fiscales.

The policy, approved late last week by President Raúl Alfonsín's full cabinet, was an important shift from decades of state domination in the oil sector, industry sources said. "Past plans have centred on intentions rather than production," one senior company representative said yesterday.

Industry officials here say the measure is intended to increase oil output, which threatens to force Argentina to import oil for a second year running.

Production last year totalled 24.5m cubic metres, about 165m barrels, little different from the 1985 level. Imports are estimated privately at over half a million cubic metres last year.

YPF's acute financial difficulties, after several years of operating losses and overseas debts now estimated at some \$4bn, are also thought to lie behind the new policy drawn up by the Public Works Minister, Mr Rodolfo Tarragona.

Independent companies have long pressed to be allowed into

fields where YPF has failed to achieve optimum output rates. Of 229 fields operated by the corporation, 237 provide barely 12 per cent of total output.

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Independent companies have long pressed to be allowed into

Despite a Senate win, the Proxmire bill may have only a 50-50 chance, says Janet Bush

Tough time ahead for US banking reform

TIRELESS Congressional aides

celebrated into the small hours after the resounding vote in the Senate late last Wednesday in favour of sweeping reform of the 1933 Glass-Steagall Act which would allow banks access to the business of securities houses and vice versa.

As glasses were raised to applaud what was a personal victory for Senator William Proxmire, the redoubtable chairman of the Senate Banking Committee who retired at the end of this Congress, thoughts were already turning to the battle which awaits in the House of Representatives.

The 94 to 2 vote in the Senate in favour of the Senate Banking Committee's Financial Modernisation Act was more conclusive than even the most optimistic supporters of reform had hoped.

Senators after senator stood up in the debate last Wednesday afternoon to express discomfort with some of the bill's provisions. And, speech after speech, those doubts were buried in favour of a united stand around Senator Proxmire which would send a clear message to legislators in the House.

The Senate bill, which is expected to be renamed the Proxmire bill in honour of its main author, would give US commercial banks immediate authority to underwrite commercial paper, municipal revenue bonds, mortgage-backed securities and securities

backed by other assets.

Six months after enactment of the legislation, banks would be allowed to underwrite mutual funds and corporate bonds. The power to underwrite corporate equities would depend on an expedited vote in Congress in 1989.

Even in the euphoria after the Senate vote, one Congressional aide still gave the bill only a 50-50 chance of eventually becoming law. Mr Don Crawford, Washington representative of the Securities Industry Association, the staunchest lobbyist for the securities industry, believes the Proxmire bill represents a high water mark for the banks for whom last Wednesday's vote was plainly a significant victory.

The focus now turns to the House where some of the stiffest opposition to greater powers for banks resides. Two powerful friends of the securities industry and defenders of their own committee turf will have considerable say in whether anything resembling the Proxmire bill gets to the statute books.

They are Mr Fernand St Germain, chairman of the House Banking Committee, and Mr John Dingell, chairman of the Energy and Commerce Committee.

Mr St Germain's so-called "committee print" is, at this stage, the main rival to the Proxmire bill. It is far more restrictive, allowing banks only three

before Congress breaks up for the November election.

Since the St Germain proposals were published a fortnight ago, they have attracted widespread criticism, not least within the House Banking Committee itself.

According to Congressional aides, support has steadily been building behind Representative Stephen Neal, Democratic caucus chairman on the committee, who may introduce substitute legislation modelled on the Proxmire bill.

No one yet knows quite how much support can be mustered by Mr Neal. As chairman of the committee, Mr St Germain has a great deal of muscle and can start calling in favours.

There is also a clear danger that, if anything as restrictive as the St Germain proposals look, the powerful bank lobby could walk away.

The banks have won notable victories in the courts, aided by the support of the US Federal Reserve, allowing them increased access to the securities business.

If that erosion is to continue without the establishment of a sound regulatory framework,

The banks' view is that they would rather be given expanded powers by law than by default.

This potentially tortuous procedural route is one of the main threats to legislation given the hard time left

draw their immense lobbying power at any stage, a threat which may keep the legislative momentum going.

There are a number of other factors which are positive for the Proxmire bill. Minimally, past difficulties in tabling proposals for reform of Glass-Steagall, it was drafted carefully to please as many of the powerful industry lobbies as possible.

It also has the support of the US Treasury which regards the Proxmire bill as the absolute minimum deregulation and the St Germain proposals as completely unacceptable.

No one in Washington is prepared to bet on any legislation being enacted this year. So many intangibles could come into play. While the securities industry has been trying to buy the stigma of its insider trading scandals, banks have had the upper hand in lobbying Congress. However, if the troubles with Texas banks begin to deepen, which many expect, the banks could find themselves losing the public relations battle.

In favour of legislation is a general desire among politicians to be seen to be active in election year. Perhaps as important a factor as anything is a measure of sentimentality at the end of Senator Proxmire's long political career. One of his strongest cards is the affection of colleagues who want to see him retire on a triumphant note.

Judge orders Bhopal payments

By K K Sharma in New Delhi

THE high court of Madhya Pradesh yesterday ordered Union Carbide to deposit 2.5m rupees (\$150m) with the Bhopal trial court within two months as compensation of compensation to the victims of the 1984 gas leak disaster.

The ruling resulted from Union Carbide's appeal against an earlier ruling that it should pay Rs3.5m in interim relief to the victims.

More than 2,000 died and more than 200,000 were injured by the gas leak from the Union Carbide pesticide plant in Bhopal in December 1984 in the world's worst industrial disaster. Union Carbide has so far paid no compensation.

Union Carbide, a US-based multinational, had argued that a grant of interim relief could prejudice the outcome of the government suit. But Mr Justice Seth reduced the amount to be paid, and said: "The payment is not for interim relief, but as damages under the substantial law of torts" on the heads that more than a picme case had been made out by the Indian Government against Union Carbide.

This comment caused some confusion in Indian legal circles. It appeared to link the payment to the merits of the Indian government's \$3bn law suit against Union Carbide, which is still pending, rather than the side issue of interim relief dealt with by the earlier hearing.

The judge said that any further delay in extending the appropriate relief would have grave and tragic consequences. Any delay in making the payment, the judge said, would leave it open to the Indian Government to execute the court's order, as if it were a decree passed in favour of the trial court.

Union Carbide said it would study the ruling before deciding whether to appeal to India's Supreme Court.

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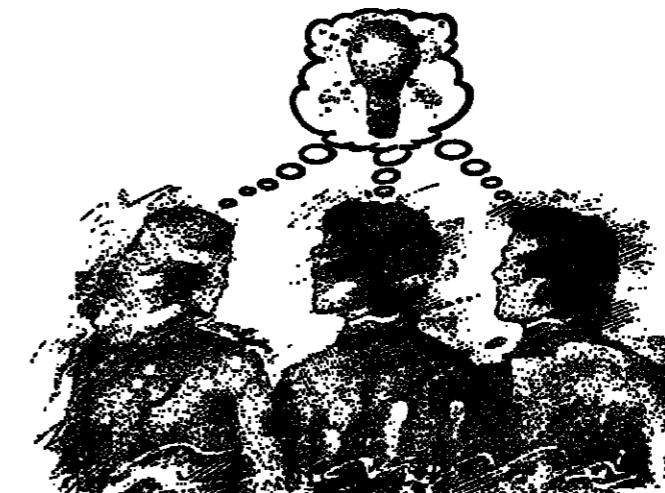
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OVERSEAS NEWS

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ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 30th March 1988, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

2.00% INDEX-LINKED TREASURY STOCK, 1982

2.15% INDEX-LINKED TREASURY STOCK, 1991

The prices paid by the Bank on issue were in each case the middle market price of the Stock at 3.30 p.m. on 30th March 1988 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 30th March 1988, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 8 per cent CONVERSION STOCK, 2000

£150 million 8 per cent TREASURY LOAN, 2000

In each case, the amount issued on 30th March 1988 represents a further small addition to the amounts made available in respect of new issues with the Stock, and subject to the terms and conditions applicable to the Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for such further tranches of stock to be admitted to the Official List.

Copies of the prospectuses dated on 30th March 1988 represent a further small addition to the amounts made available in respect of new issues with the Stock, and subject to the terms and conditions applicable to the Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

The Stock is repayable, and interest is payable half-yearly, on the dates shown below for the case of 2 per cent Index-Linked Treasury Stock. The 1982 provision is made to the prospectus for stockholders to be offered the right of early redemption under certain circumstances:

Stock	Redemption date	Interest payment date
2 per cent Index-Linked Treasury Stock, 1982	23rd March 1982	23rd March 23rd September
8 per cent Treasury Stock, 1981	10th December 1981	10th June 10th December
8 per cent Treasury Stock, 1991 is repayable at par.		

Both the principal of and the interest on 2 per cent Index-Linked Treasury Stock, 1982 are indexed to the General Index of Retail Prices. The index figure relevant to any month is that published seven months previously and relating to the month before the month of publication. The index figure relevant to January 1988 is 2,085.6. The index figure relevant to January 1982 is that relating to June 1980 (2,085.6). This index figure will be used for the purposes of calculating payments of principal and interest due in respect of the further tranches of stock as provided for in the prospectus, the relevant tranches of stock being the result of the creation of the index of January 1987 = 100 for the old base the index for January 1987 was 384.8.

The relevant index figures for the half-yearly interest payments on 2 per cent Index-Linked Treasury Stock, 1982 are as follows:

Interest payable	Published in	Relevant index figure	Relating to
March	August of the previous year	July	
September	February of the same year	January	

The further tranches of 2 per cent Index-Linked Treasury Stock, 1982 and 8 per cent Treasury Stock, 1991 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. Official documents on the Stock on The International Stock Exchange are expected to commence on Thursday, 31st March 1988.

2 per cent Index-Linked Treasury Stock, 1982 and 8 per cent Treasury Stock, 1991 will be specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as gilt-edged securities under current legislation exempt from tax on capital gains, irrespective of the period for which the Stocks are held.

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government, nor the Bank of England, or their respective servants or agents undertake to disclose tax changes decided upon but not yet announced, or to disclose the terms and conditions on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure, and that the Bank of England and the Treasury are not liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
30th March 1988

Off-the-ball incident threatens World Cup

By John Wyles in Rome

AFTER a perilous penalty area incident, the Rome city council appears to have just avoided scoring an own goal over the staging of the 1990 World Cup soccer finals.

Showing an uncharacteristic turn of speed, the council has packed its defence against a threat from Fifa, the international soccer federation, to take the staging of the finals away from Italy.

The problem is that RAI, the national television network, does not yet have permission to build a vital £50m (524m) telecommunications centre.

Mr Joseph Blatter, the Fifa vice-president general, threw the Italian soccer fans into a state of tension by warning that the finals could be switched to Mexico or West Germany unless Fifa was confident by early May that the centre would be built.

The consequent dangers of ugly crowd behaviour prompted the Rome council to go into emergency session earlier this week and to agree that the centre should be built on a site about 5km away from the one chosen by RAI - a decision hotly contested by the city's Communist and Green parties.

RAI's choice, near the banks of the Tiber and the stadium where some of the matches will be played, is destined to be parkland and, therefore, following traditional Italian social practices, the venue for more amateur communications.

Fittingly, the Fifa-Rome clash could enable the owners of the proposed site to scoop the pool. RAI needs to buy the land soon and the proprietors know how this will add to the value of their assets. But RAI expects their ambition to be curbed by the knowledge that the response to excessive greed would be forced expropriation.

Nevertheless, there is still some pressure on the Italian defence. Unless Mr Blatter agrees to go into extra time, he presumably will expect the land purchase to be underway, if not completed, by the time of his next visit to Rome in May.

The ball, therefore, is still bobbing around the Italian goalmouth and a swift deal over 200,000 sq metres of unprepossessing terrain is needed to kick it into touch.

Haig Simonian in Frankfurt talks to Hesse's doughty leader, Walter Wallmann

Nuclear power champion ready for a fight

remains passionately in favour of nuclear power, despite the scandal, which has triggered an investigation by the state parliament, and led to suggestions that late disclosure of the affair may have helped the CDU's election chances.

"I want the conflict about nuclear energy with the SPD (Social Democrats) and the Greens," he asserts. "It is true, I'm somewhat bolder than other CDU politicians on the subject." That boldness stems from a conviction, increased during his time in Bonn, that nuclear power is by far the lesser of two evils when it comes to the world's long-term energy needs.

"Weigh up which is the greater danger," he says, reaching for a tone on world population growth and the race on reprocessing and power consumption in China, in particular. Thus polarizing the earth's atmosphere through burning increasing amounts of fossil fuels will be a far greater problem than nuclear energy, he argues.

The fact that Hanau supplies some 90 per cent of West Germany's nuclear fuel rods helps to explain Mr Wallmann's drive to fight the Greens and those in the SPD who want to close the installation and move the country away from nuclear power altogether.

"I want this fight," he says, pointing not just to the jobs at stake from a shift from nuclear power but to the wider economic consequences should the anti-nuclear lobby gain sway.

Would Mr Wallmann, who has been regularly tipped as a potential successor to Chancellor Kohl, consider returning to

Bonn, especially if that helped his case? "I see my job here in Hesse", he says. At 55, "this is the last task that I will do."

A single four-year term in Hesse will not be long enough to perform the same economic turnaround he undoubtedly achieved in Frankfurt during his eight years of office. Even its critics admit the city, once deemed ungovernable, has improved beyond recognition. Architecturally it has made strides, while in business terms it has asserted itself not just as the country's financial centre but almost as a crypto-capital. Even its sky-scrapers, once derided, are now envied.

"I changed a town," says Mr Wallmann, "now I'd like to do the same in Hesse." He claims there are already signs that the state's economic growth, below the national average since 1982, is picking up now. But he denies it is just the luck of structural economic change which has let a city like Frankfurt, where services are uppermost, to advance at the expense of like-sized and once grander counterparts such as Düsseldorf, near the industrial Ruhr.

"Frankfurt had a clear will," he says. "It's not just the luck of geography that attracts companies to a town. One has to act."

Art and culture are particularly prominent in this credo. Mr Wallmann talks of "the city as a place of Culture, and the big city as the centre for High Culture."

Good people were attracted to Frankfurt, not just professionally, but by having things to do in the evenings, too. Some locals, looking at many of his often-deserted streets after shop-closing

Drugs search stepped up after big police swoop

By John Wyles

ing the 12 months.

A new law passed in 1986 has dedicated no less than £120,000 (\$252,516) to the development of industries in Sicily and Calabria this week after more than 100 arrests in the US and Italy of suspected Mafiosi involved in an extensive and sophisticated international drugs trade.

In his draft programme for the next Government, Mr De Mita has limited himself to general proposals for reducing social charges on employers in the Messina, providing fresh investment incentives and developing new infrastructure projects.

These and all his other proposals for a government programme have been criticised by the other four potential coalition parties as being far too general.

ITALIAN police will be stepping up their search for heroin and cocaine in Sicily and Calabria this week after more than 100 arrests in the US and Italy of suspected Mafiosi involved in an extensive and sophisticated international drugs trade.

Among the 100 people arrested at the end of last week - 40 in the US and 60 in Naples, Catania (Sicily) and Palermo - are names closely connected to the celebrated Gambino family of New York and to some leading families not only of the Sicilian Mafia but also of its autonomous cousin in Calabria, the Ndrangheta, and of the Naples Camorra.

While links, some of blood, between the Sicilian Mafia and the American Cosa Nostra are longstanding and well-established, the coalition between the three Italian underworlds may well be more extensive than any previously discovered.



TO HOLDERS OF DEBT SECURITIES OF TEXACO INC., TEXACO CAPITAL INC. AND TEXACO CAPITAL N.V.

Notice of Establishment of Special Record Date and Payment Date

The Second Amended Joint Plan of Reorganization (the "Plan") of Texaco Inc., Texaco Capital Inc. and Texaco Capital N.V. was confirmed by the United States Bankruptcy Court by order (the "Confirmation Order") dated March 23, 1988 (the "Confirmation Date").

As provided by Bankruptcy Rule 3021, the record date for registered debt instruments will be opening of business on the Effective Date of the Plan which is scheduled to be fifteen days after the Confirmation Date (currently April 7, 1988). Subject to any stay of the Confirmation Order and satisfac-

tion of other conditions set forth in the Plan, payments will be made with respect to the debt issues listed below on the day after the Effective Date (currently April 8, 1988) or as soon as practicable thereafter.

Payments will be made in the customary manner as provided in the debt instruments.

Bearer coupons and matured debt securities shall be presented to the Paying Agent or Trustee for payment. Payments of interest to registered holders will be made by check mailed one day after the Effective Date to the holder of record as of the opening of business on the Effective Date.

Name of Issue

Trustee/Fiscal Agent (See legend below)

Amount Payable

Per Issue

Name of Issue

Trustee/Fiscal Agent

Amount Payable

Per Issue

TEXACO INC.

TEXACO CAPITAL INC. (Continued)

TEXACO CAPITAL N.V.

5 3/4% Debentures due 07/15/97

Extensible Notes due 06/01/99

Chase \$17,027,469.14

7 3/4% Debentures due 06/01/01

Chase 31,825,000.00

8 1/2% Debentures due 05/01/05

Chase 26,381,944.44

8 1/2% Debentures due 04/01/06

Chase 30,588,631.73

12 7/8% Euronotes due 09/01/87

Chase 34,441,916.67

12 7/8% Euronotes due 09/01/92

Chase 28,572,750.00

Extendible Notes due 06/01/99

Chase 13 1/2% Euronotes due 08/01/89

Chase 29,500,875.00

Extendible Notes due 06/01/99

Chase 9 3/4% Euronotes due 03/01/90

Chase 14,771,554.69

Extendible Notes due 01/15/00

Chase 10 1/2% Euronotes due 11/15/90

Chase 21,875,875.00

Extendible Notes due 03/01/00

Chase 10 1/2% Euronotes due 11/15/93

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OVERSEAS NEWS

Hunt for Manila coup bid fugitive

BY RICHARD GOURLAY IN MANILA

THE Philippines army widened its net of roadblocks around Manila yesterday in a desperate effort to recapture the leader of a coup that narrowly failed to topple President Corazon Aquino last August.

Gregorio Honasan escaped from a poorly guarded camp at the weekend along with 14 of his "guards". The army said they had no idea where he was or how he and the guards were able to flee in rubber boats.

It also said six other officers involved in the coup attempt and an earlier one last January who "escaped" from military custody had in fact only left the camp to

sort out "pressing family problems".

The escape is intensely embarrassing to military leaders who

only last week were widely

praised for rounding up three

leaders of the banned Communist

Party.

Honasan's arrest in December immediately quietened the rumours of coup and political unrest which have plagued Mrs Aquino for much of her two years in power as he was considered her most immediate threat.

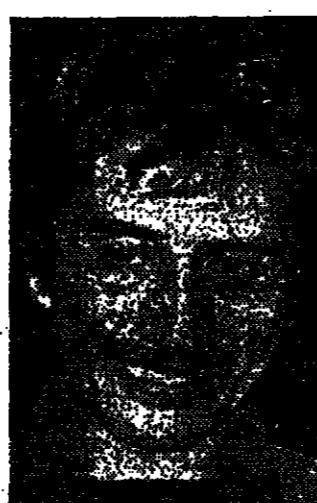
As a charismatic figure in the military revolt in 1986 that

helped topple President Ferdi-

man Marcos and place Mrs Aquino in power, Honasan had developed a large popular following and retained support in the military long after his fall.

Analysts were surprised that Honasan's escape should cause such an official and private overreaction. Mrs Aquino has rarely looked as stable politically as she has recently and there are no signs Honasan could successfully lead another coup. She has already backed higher pay for troops and a tougher approach to the country's 10-year-old insurgency, making Honasan's cry for military reform and better government appear rather hollow.

Juan Ponce Enrile, Honasan's long-time boss at the Defence Ministry.



Gregorio Honasan: poorly guarded

The future of the US bases in the Philippines may be in doubt, writes Richard Gourlay

Filipinos ponder price of real independence

THE American military bases in the Philippines lie heavily at the heart of relations since the Second World War between the US and its former colony.

The desire to retain its bases led successive US administrations to support President Ferdinand Marcos long after it became clear he was emptying the country's coffers.

As early as 1946 when the Philippines gained its independence, General Dwight D Eisenhower warned that the continued presence of bases would prevent the growth of a partnership between equals.

Today the complex post-colonial relationship is once again under the microscope as the two countries review the 41-year-old Military Bases Agreement.

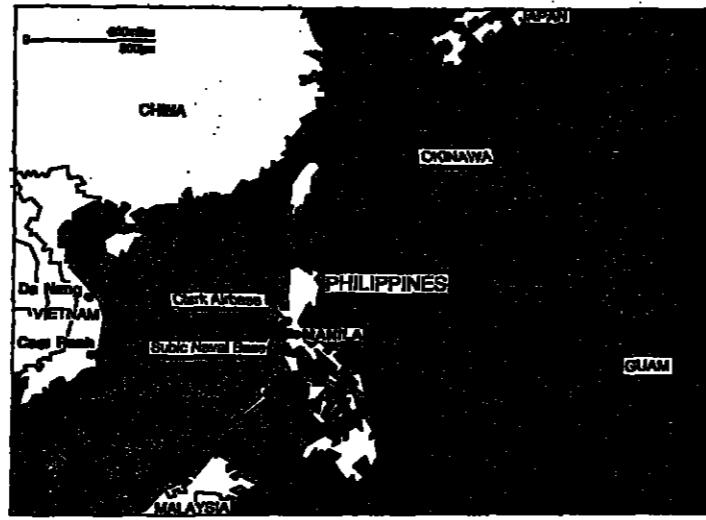
They are launching a process that will shape the way the US military continues to exert influence into the 21st century in a region stretching from Guam in the Pacific to the Indian Ocean and the Gulf.

The five year operational review is not the start of formal negotiations for a new bases agreement – or US withdrawal – after the current agreement expires in 1981. Nor is there much chance that the Philippines will seek Washington to leave before then – President Corazon Aquino has said repeatedly that the current agreement will be honoured until that date.

The talks really boil down to how much the US should pay for the last three years of the agreement. Much more, says the cash-strapped Philippines, cutting the amounts that Greece, Spain and Portugal receive.

But there is an almost universal feeling that this review is a dress rehearsal for the crucial renegotiation talks and that they might even blend into one another. For example, some US Congressmen – concerned with their own budget deficits – wonder why the US should pay much more if the bases are to go after 1981.

To many Filipinos – and not only



anti-Americans or leftwingers – the issue is that the new democracy's hunger for greater independence is incompatible with US bases on Philippine territory.

While the US is not insensitive to this, the bottom line remains the perpetuation of American superpower dominance in the Far East. US bases in South Korea, the Japanese mainland and Okinawa combined with the key Clark airbase and Subic naval bases in the Philippines provide a defensive shield off China's seaboard.

This shield protects the sea lanes through which 50 per cent of Japan's oil and 50 per cent of Asia's oil pass. At the same time it keeps an eye on the Soviet Union's submarines, navy and airforce operating from Vladivostok and other Soviet ports in Asia and from the Vietnamese bases at Cam Ranh Bay and Da Nang, 700 miles west of the Philippines.

Soviet diplomats, who accept that Moscow is waking up to its Pacific neighbours relatively late in the game, say the Soviet Union is hemmed in by this US chain.

As a result Moscow greatly expanded Cam Ranh Bay and its fleet is now astride Asia's sea lanes, according to US information on the bases. Moscow prefers to emphasise its growing efforts to increase regional trade and economic co-operation.

Analysts say that with the array of US forces, bases and alliances in the region, Clark air base and Subic naval base are essential to American dominance.

Clark is the home of the US 13th Air Force, comprising tactical squadrons flying F-4 Phantom fighter bombers and F-5 aircraft. From Clark's runway, 40 miles north of Manila, US planes can immediately be "on station" patrolling the South

China Sea and the approaches to the so-called "choke points" for shipping – the Malacca, Sunda and Lombok Straits.

These straits allow the US 7th Fleet based at Subic Bay to move freely into the Indian Ocean and the Gulf. Subic increasingly plays a logistical support function for the US fleet in the Indian Ocean and recently in the Gulf. Subic's dockyards are by far the biggest outside the US and include facilities to lift planes off aircraft carriers, which are available nowhere else.

Among four other small bases in the Philippines is the crucial San Miguel communications base which forms part of a global network sending low frequency messages to the US nuclear submarine fleet.

Although the talks will probably boil down to a painful haggle over money, the Philippine Congress has produced one wild card. Last week the Senate defence and foreign relations committees approved a bill that will implement a provision in the constitution banning nuclear weapons from Philippine territory.

Senator Wigberto Tamada, the bill's chief proponent and a staunch nationalist, says the provision is designed to create a "New Zealand situation" in which the US would have to pledge that its visiting ships are not nuclear armed. As US policy is neither to confirm nor to deny the presence of nuclear weapons the bases would become useless and Washington would be dissuaded from seeking an extension to the bases agreement, he argues.

Mr Igor Rogachev, the deputy Soviet foreign minister told Congressmen last month during a visit that if the US bases go, Moscow would not leave the move unanswered, repeating a vague but increasingly loud promise first made by Mr Michael Gorbachev to the region in 1986.

Opposition party backs deal with Mugabe

By Tony Hawkins in Harare

A SPECIAL congress of Mr Joshua Nkomo's opposition Zapu party in Zimbabwe has ratified last December's unity agreement with President Robert Mugabe's majority Zanu-PF party.

More than 5,000 delegates at the meeting in Harare at the weekend voted unanimously for the unity deal.

The Zapu congress will be followed by a similar meeting of Zanu-PF on Saturday. This will seal the unity pact and open the door to a unity congress of the two parties, signalling the setting up of a one-party state.

At the congress Mr Nkomo, now one of three senior ministers in President Mugabe's unity cabinet, sounded what will become an increasingly familiar theme when he said unity was essential because of the fight against South African apartheid.

The congress' ratification was little more than a formalism since there has been no open criticism of the unity agreement from within either party.

Moreover, there have been no reported incidents of banditry in the western province of Matabeleland since the agreement, underlining the Zanu-PF expectation that the unity agreement would bring an end to dissident activity in Matabeleland, where Zapu is the dominant party.

Over the past five years, the dissidents, mainly disgruntled former members of Zapu's military wing, have damaged property in parts of Matabeleland and murdered many white farmers who were killed during the independence war of the 1970s. But since the agreement was signed, the dissident campaign appears to have collapsed.

Political analysts say that the real test of the unity deal will come when the two parties have to choose a single party line to choose its officials.

Zapu leaders will be watching closely to ensure that leading Zapu politicians receive reasonable representation throughout both the party and the government, including the civil service and state-owned industries.

Pace of growth in Turkey raises overheating fears

By Jim Bodenham in Ankara

TURKEY'S economy grew by 7.4 per cent in terms of gross national product (GDP) in 1987, according to the State Institute of Statistics (SIS). The news comes at a worrying time for the government, faced with overheating in the economy and soaring inflation.

A trade protocol signed on Sunday during a visit to Ankara by Turkish Prime Minister Mr Turgut Ozal has ended the usual letters of credit to trade between the two countries.

Outstanding Iraqi debts to Turkish creditors already total \$1.5bn. The protocol sets a ceiling on outstanding credit of \$1.4-1.5bn. Turkish businessmen fear that trade with Iraq could be halted this year.

Foreign exchange out of the banking system and exporters.

So far the medicine appears to be working as the differential between free market exchange rates and the central bank's daily tariff has stabilised at about 8 per cent compared with 20-25 per cent at the peak of the run on the lira. But many businessmen fear that what was described as a temporary expedient could last much longer.

There are signs of increasing strains in Turkish society as inflation erodes living standards. Even so, the government recently brought in further taxes on luxuries to fund education and health care, as well as a mandatory savings plan.

The time is ripe for the opposition Social Democratic Populist Party (SDP) to formulate new policies that can tap the rising swell of dissent, according to observers. The SDP has pulled level in opinion polls with the ruling Mother Party.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

	Jan '87	Dec '87	Nov '87	Jan '87	% change over previous year
W. Germany	121.5	121.3	121.1	120.6	+0.7
Denmark	120.2	120.8	120.7	120.5	+0.5
Italy	217.9	216.8	215.4	206.3	+4.5
Netherlands	122.2	123.2	123.5	121.3	+8.7
Belgium	144.6	144.7	144.7	143.3	+0.9
United Kingdom	154.5	154.5	154.7	149.6	+3.3
USA	148.4	148.1	148.1	135.0	+4.0
Japan	115.3	115.5	115.6	114.1	+1.1

Source: except US Bureau

Company Notices

NOVO

To the Shareholders of Novo Industri A/S

The Company will hold its Annual General Meeting on Tuesday April 26, 1988, at 4.30 pm at the Company's headquarters, Novo Allé, Bagsværd, Denmark

AGENDA:

1. The Board of Directors' report on the Company's activities in the past financial year.
2. Presentation of the Financial Statements, Auditors' Report and Annual Report as well as Consolidated Financial Statements.
3. Resolution concerning adoption of profit and loss account and balance sheet, hereunder discharge of Management and the Board of Directors from their obligations.
4. Resolution concerning application of profit according to the adopted Financial Statements.
5. Election of members to the Board of Directors.
6. Election of auditors.
7. A proposal from the Board of Directors to the effect that the Board of Directors until next year's Annual General Meeting be authorised to acquire up to ten per cent of the Company's share capital at a price between 90 and 110 per cent of the official quoted price at the time of acquisition.
8. Miscellaneous.

Admission cards and voting papers are available by postal application or for collection at the Company's office, Novo Allé, DK-2880 Bagsværd, Denmark, on all business days from April 8 to April 21, 1988, both days inclusive, between 10 am and 3 pm.

Where B Shares are registered by the Company under the holder's name, admission cards and voting papers will on application be issued directly to a shareholder (stating the nominal value of his/her shares).

In respect of other shares, admission cards and voting papers are issued against production of the share certificates or any other documentation considered in the opinion of the Company to be satisfactory, e.g. a written statement from a bank approved by the Company to the effect that the shareholder has deposited share certificates identified by nominal value in the bank, that the shares bear no endorsement to the effect that they have been registered under the holder's name, and that the shares will remain deposited in the bank until the day after the Annual General Meeting for which the shareholder requests an admission card. Unless the shareholder specifies an address to which the admission card shall be sent, the admission card must be collected at the Company's office no later than April 25, 1988.

The dividend as approved at the Annual General Meeting will – after deduction of withholding tax – be sent to Novo's shareholders directly from The Danish Securities Centre (Vandrapirap-Centralen) on Tuesday, May 3, 1988, if the share is registered according to a new law in Denmark.

If the share is not registered at The Danish Securities Centre, the shareholder should make arrangements either through a local bank or directly through a Danish bank in order to register the share.

Bagværd, April 8 1988

Signed by
The Board of Directors

NOTICE TO HOLDERS OF
EUROPEAN DEPOSITORY
RECEIPTS (EDRS) IN
NIKON SHIPMAN & CO., LTD.

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to the holders of record date March 31, 1988. Furthermore, the holders of record date will be paid dividends on their EDRS held in their own names on the Japanese Stock Exchange with effect from April 1, 1988. Subject to agreement of the dividend, a further notice will be published, after receipt of the dividend by the Company, on or before April 15, 1988. The cash payment of each dividend together with the procedure to be followed for claiming the dividend will be set out in the Circular Letter No. 22 which will be issued for collection of this dividend. CITIBANK, N.A., London, Depository.

28 April, 1988

OMELL
GALLERIES
an exhibition of Paintings by the Danish artist Peter Mørk MONSTED (1859-1941) at 43a Duke Street, St. James's, London SW1 6DD
Tel: 01-580-7744 Mon-Fri 9.30-5

Art Galleries

28 St. Andrew Square By Order of the Board
EDMUNDSONS
D. L. LARSEN
Chief Executive.

A committee of the Society entitled to attend and vote at any Annual General Meeting is entitled to appoint another person to attend and vote on behalf of the Society at the Annual General Meeting and to instruct that person to act in accordance with the resolutions of the Society.

Notice is hereby given that the Annual General Meeting of the Society will be held on Friday, April 28, 1988, at 10.00 am, at the Society's headquarters, 28 St. Andrew Square, London, EC2A 2AA.

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Notice is also given that the Annual General Meeting of the Society

RISK IS EVERYWHERE.



Michael DiCerbo, "Infernos," acrylic on canvas, 1984. From the Refco Collection.

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FT LAW REPORTS

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Canadian Airlines International and its

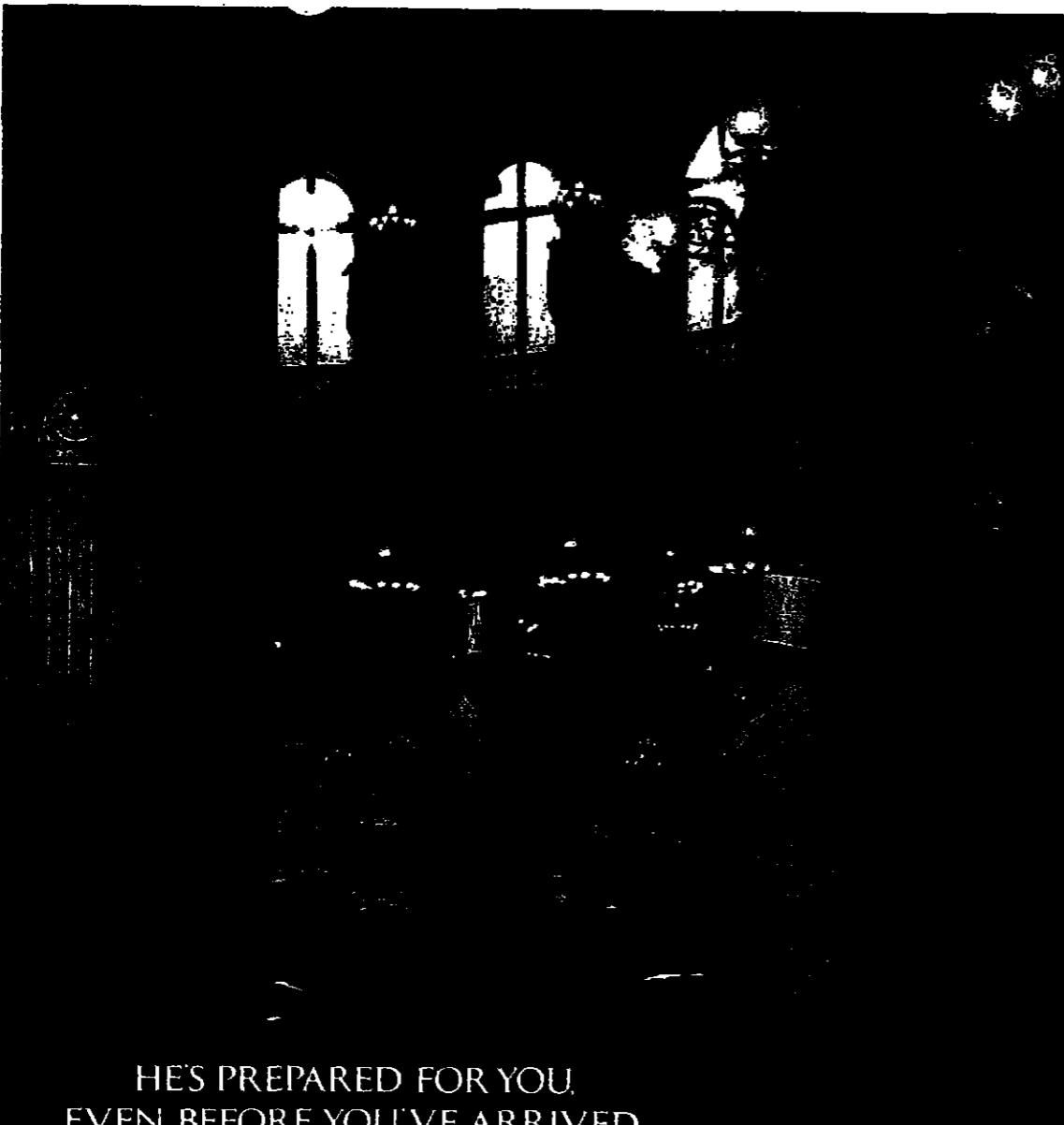
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Or a simple meal in the Inter-Continental Hotel's restaurant, or a special dinner.

Or a simple meal in the Inter-Continental Hotel's restaurant, or a special dinner.



INTER-CONTINENTAL
AGAIN AND AGAIN

Digest of Hilary Term cases

FROM JANUARY 12 TO JANUARY 29

Kleinwort Benson Ltd
v Malaysian Mining
Corporation Berhad
(FT, January 13)

Kleinwort undertook to fund MMC Metals Ltd, a subsidiary of the Malaysian Mining Corporation Berhad, provided that the latter furnished a letter of comfort. The letter referred to a \$25m facility and stated: "It is our policy to ensure that the business of MMC Metals is at all times in a position to meet its liabilities to you under the above arrangements." By the time the tin market collapsed, a facility of \$16m, by agreement, had been drawn but Metals had gone into liquidation. In holding that the letter of comfort was a binding contract, Hirst J stated that (a) Kleinwort clearly acted in reliance on it when agreeing to advance \$2m and then \$16m; (b) it was of paramount importance to Kleinwort that Malaysia should ensure that Metals was at all times in a position to meet its liabilities; (c) it had been treated as a matter of importance by Malaysia's directors who had passed a formal resolution authorising acceptance of the facility.

The Allexton Hope
(FT, January 13)

In the instant case, a ship was deliberately set on fire by the shipowners. The mortgagees, unable to claim from the hull underwriters, sought to recover under its mortgage interest policy. Clause 1 of that policy provided: "This policy has to pay if an occurrence . . . causes (a) a total or constructive total loss . . . and after . . . average adjustment having been passed, the assured is unable to recover from the vessel's hull underwriters." In dismissing an appeal by the mortgage interest insurers against a decision that they were liable, the Court of Appeal stated that fire in a marine policy was not confined to accidental fire. It included, as a matter of construction, a fire started deliberately by a stranger to the insurance, as were the shipowners in the present case. Moreover, the adjustment was "passed" when (i) an average adjustment had been issued, and (ii) the hull underwriters declined to pay.

Re State of Norway's
Application (No 29
(FT, January 15)

In allowing an appeal by two witnesses, who had been ordered to give evidence in Norwegian proceedings concerning a claim against an estate there, the Court

of Appeal stated that jurisdiction under the Evidence (Proceedings in Other Jurisdictions) Act 1976 in respect of letters of request only arose if the English court was satisfied that the proceedings in the requesting court were either civil or commercial as civilian legal systems would understand those terms (section 9). The Norwegian proceedings were concerned with "maritime facts", and as such were not proceedings sufficient to found the basic jurisdiction. The proper construction of "proceedings in any civil or commercial matter" in section 9, which would produce uniformity in the Convention and in the Act, had to accord with a generally acceptable international interpretation of those terms.

Colonial Bank v European
Grain and Shipping Ltd
(FT, January 15)

After the shipowners had assigned to the bank all earnings on their vessel, it was arrested by creditors. At the time of its arrest, the ship was chartered to charterers who had had to procure the on-shipment of the cargo, the costs of which exceeded the freight. In ascertaining the rights of the parties over the freight, the Court of Appeal stated that the shipowners' claim for freight had such a close link with the charterers' claim for non-performance, that one could not properly be enforced without taking account of the other. Also, if the court had to assess itself what it should do to ensure fair dealing (see *The Norwegian* (1978) 1 QB 927, 976), the answer was that it would not have been fair, had the owners sued to have allowed them to recover the freight without regard to the damage caused by their own wrongful repudiation. With regard to the position of the bank, the charterers would have had a valid defence by way of set-off if sued by the owners to have the bank's derivative claim against an estate there, the Court

had to be referred to arbitration.

The chairman should have called a meeting months after the hearing because it imposed unrealistic, unworkable and time-wasting procedures on the arbitrators.

Naviera Magur SA v Societe
Metalurgique de Normandie
(FT, January 20)

When the charterers presented bills of lading to the master, he signed them without qualification notwithstanding that the cargo of wine coils had already rotted. The shipowners sought reimbursement from the charterers after having settled the claim of the cargo's receivers. The Court of Appeal dismissed the shipowners' appeal against a decision of Stoughton J, who had upheld the arbitrators' decision that though it had been a breach of contract for the charterers to have tendered a clean bill of lading in respect of goods, not in apparent good order, the master's intervening negligence broke the

connection between that breach and the owners' loss.

Banque Keyser Ullman SA v
Scandinavian Insurance Co Ltd
(FT, January 27)

In an agreed settlement of an action where the insured banks claimed against the insurance companies under policies arranged by Notcutt, one substantive issue was outstanding, namely the credit that the banks ought to have given for \$10.5m paid by Notcutt under the settlement. The settlement's terms expressly provided that recovery against Notcutt would be in full and final settlement of the banks' claims "including claims for costs". Mr Justice Steyn stated that the credit to be given by a plaintiff in favour of one tortfeasor in respect of recovery from another tortfeasor could not be a matter for judicial discretion. The principle was that where a plaintiff, who had received payment from one of two tortfeasors, established an additional separate claim against him, the payment was allocated first to that claim, and credit had to be given in favour of the second tortfeasor only for the excess necessarily referable to the overlapping claims (see *CMV Townsend* (1984) 27 ELR 26 and *The Morgengruen* (2000) P 1).

Doverian Union Inc v
AA Mutual International
(FT, January 29)

The issue in the present application for a stay of proceedings under s.1 of the Arbitration Act 1976 was whether claims for a confidential agreement and rectification of an insurance contract had to be referred to arbitration. The material words in the present contract were "all disputes and differences . . . in respect of this reinsurance." "Disputes or differences" meant disputed claims together with any wider meaning which might be derived from the use of "differences" as well as "disputes". The context was a reinsurance transaction partly recorded in writing. There was no indication that the parties intended the arbitrators to have no jurisdiction outside the written terms. Evans J stated, and there were good commercial reasons why they should have envisaged that all disputes concerning the transaction generally would come within the term "in respect of this reinsurance". This digest will continue on April 8, 12 and 13.

Aviva Golden

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Georgia's government does everything possible to make European firms feel at home, too. Our corporate tax rate hasn't increased since 1969. The costs of land, construction and labor in Georgia are among the nation's lowest. Yet the productivity growth rate of our work force is 36% higher than the U.S. average.

To learn all the other reasons why Georgia is the successful U.S. location for hundreds of European businesses, contact Bill Hubert, Managing Director, European Office, Georgia Department of Industry and Trade, 380 Avenue Louise, 1050 Brussels, Belgium; phone 32-2-647-7825.

GEORGIA

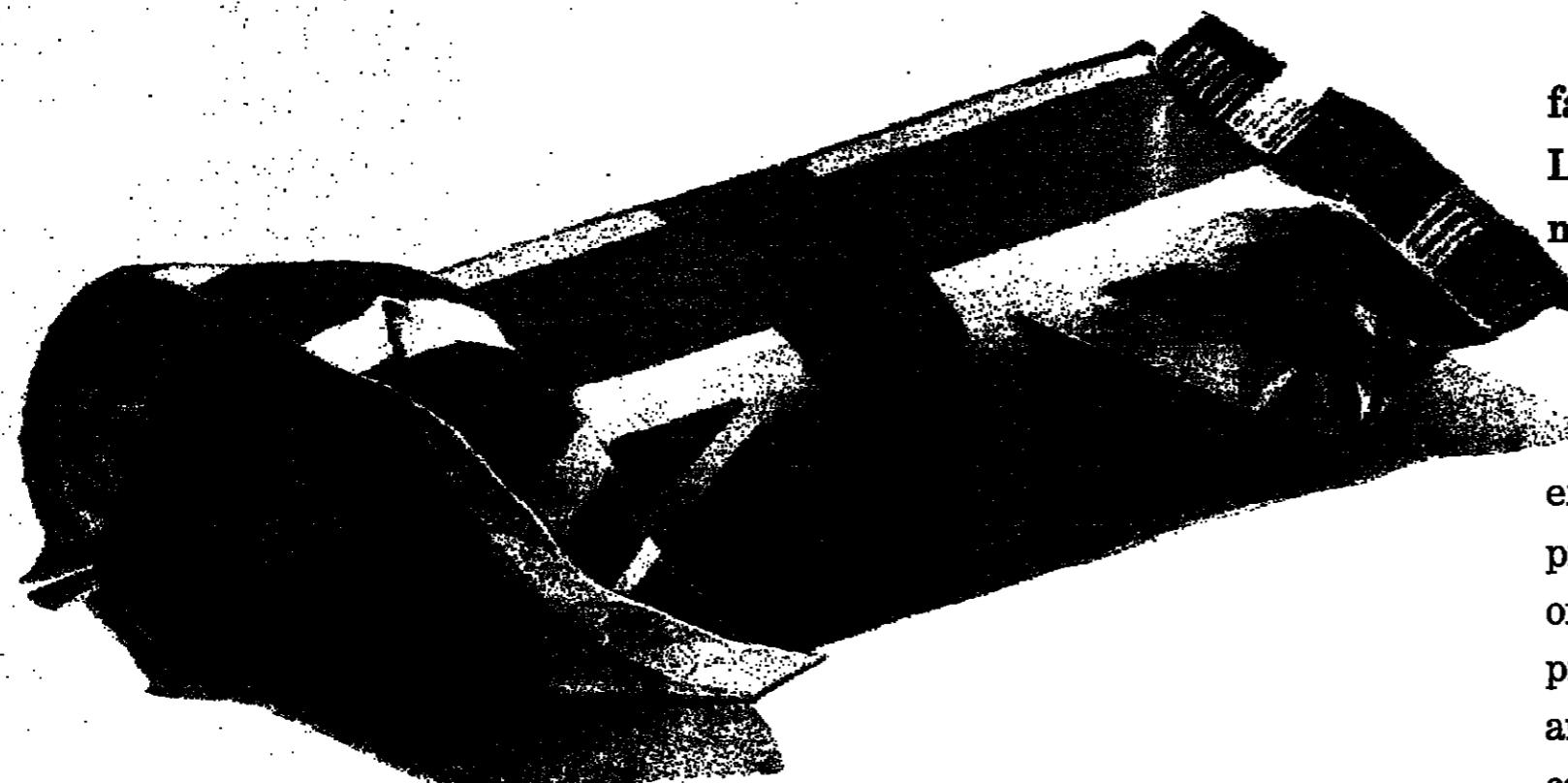
The International State



Opinion

Citrus, Schaeffer MANAGEMENT PROVEN IN THE MARKET PLACE. Citrus, Schaeffer MANAGEMENT PROVEN IN THE MARKET PLACE.

Cadbury Schweppes invested £97 million here.



More specifically, "here" was the factory floor. From 1981 to 1983 Cadbury Ltd. spent £97 million making the manufacturing capabilities of the confectionery division among the most modern in the world.

Let us quote just one small but typical example. Crunchie bars are now cut by a high pressure jet of coconut oil. This saves 50% of the honeycomb wasted by the old cutting process. It's one of the many modernisations and rationalisations that gave us a significant increase in productivity per employee. And that provided money – money that was used to boost our marketing effort.

Profits doubled as a result.

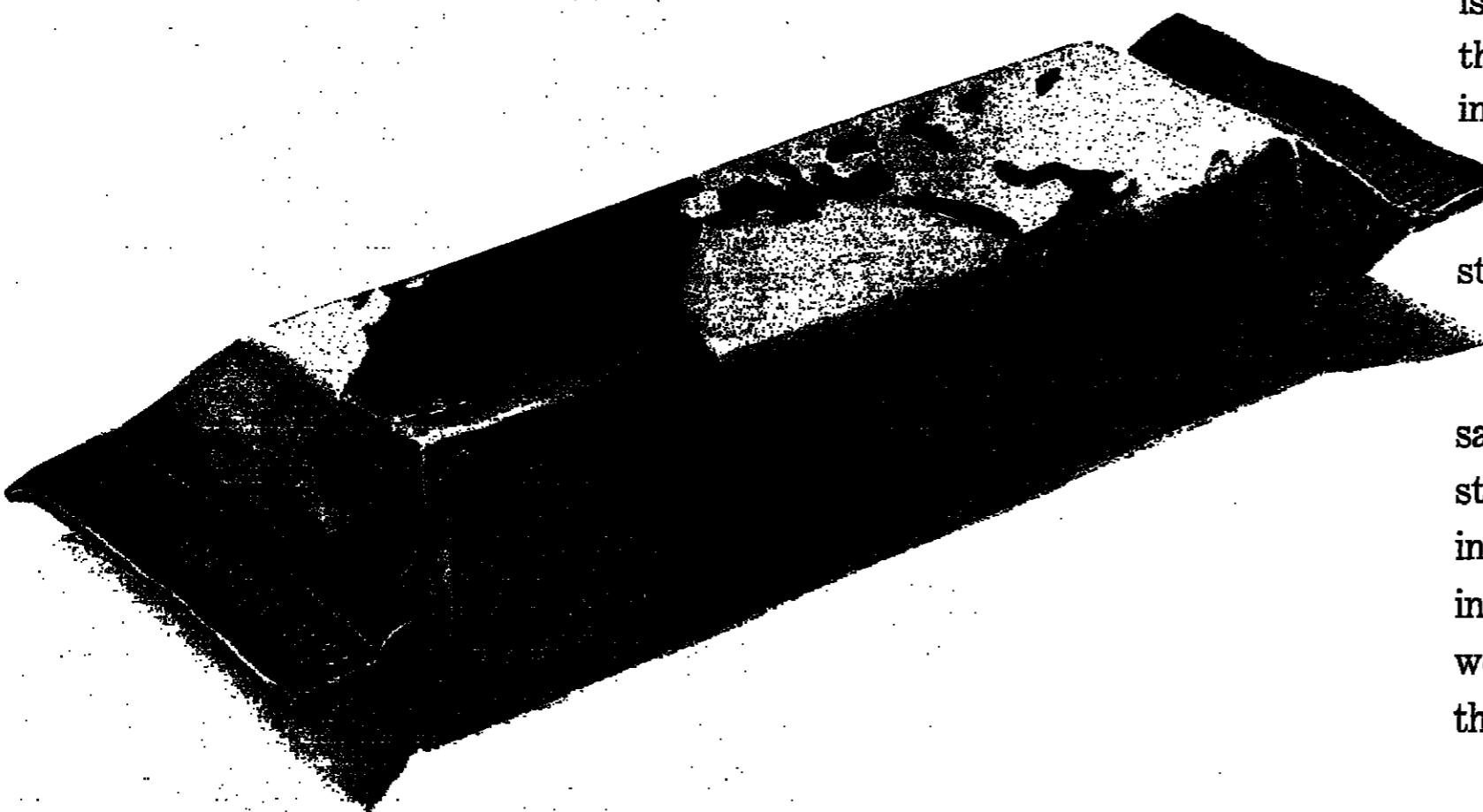


So we could capture more of the market we increased our advertising “share of voice” in the sector. In 1987 we invested

£3.5 million more than the previous year. We also embarked on a major programme of new product development. 13 brands have been launched since 1980. Biarritz and Wispa are already acknowledged confectionery classics. These moves helped increase our market share to 29% (remember, in a market as huge as this, one percentage point is worth over £20 million).

Aggressive marketing has more than doubled trading profits since 1981, reaching some £57 million in 1987. So carefully planned management is achieving exciting profit growth.

And we're not going to stop there.



The success of Cadbury Ltd. in the UK is by no means the whole story. We've applied the same principle of reducing costs and increasing marketing investment throughout the world. What's more, growth in 1988 will be further enhanced by recent strategic acquisitions in the USA, Australasia and France.

As Chief Executive Dominic Cadbury says, "The management skills which have strengthened Cadbury Schweppes' position in the market place and increased 1987 earnings per share by over 33% will ensure that we capitalise on these new opportunities for the benefit of our shareholders."

Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE

Notice of Redemption**Florida Federal Savings International Finance, N.V.
12½% Guaranteed Bonds due May 15, 1989**

NOTICE IS HEREBY GIVEN that, pursuant to Section 5.01(a) of the Indenture dated as of May 15, 1984 (the "Indenture") among Florida Federal Savings International Finance, N.V. (the "Company"), Florida Federal Savings and Loan Association (the "Guarantor") and Citibank, N.A., as Trustee (the "Trustee"), the Company has elected to redeem and will redeem on May 15, 1988 (the "Redemption Date") all of the outstanding 12½% Guaranteed Bonds due May 15, 1989 (the "Bonds") at the Redemption Price of 100% of the principal amount thereof (the "Redemption Price").

On and after the Redemption Date, the Redemption Price will become due and payable upon presentation and surrender of the Bonds with all unmatured coupons appertaining thereto at the office of the paying agent listed below. In the event that any unmatured coupons fail to be presented, the amount of the missing coupon(s) will be deducted from the Redemption Price.

On and after the Redemption Date, unless otherwise provided in the Bonds shall cease to accrue, and all coupons maturing after May 15, 1988 shall be void. Coupons maturing on May 15, 1988, should be detached and surrendered for payment in the usual manner.

Paying Agents

Citibank, N.A. Citibank House 336 Strand London, WC2R 1HB England	Citibank, N.A. Neue Mainzer Straße 40/42 D-6000 Frankfurt/Main 1 Germany
Citibank, N.A. Avenue de Tervuren, 249 B-1150 Brussels Belgium	Citibank, N.A. Carré 19 Le Parvis, La Défense 7 Paris, France
Citicorp Investment Bank (Luxembourg) S.A. 16, Avenue Marie Therese Luxembourg	Citibank, N.A. Piazza Della Repubblica 2 Milan, Italy
Citibank, N.A. Herengracht 545/549 Amsterdam The Netherlands	Citicorp Investment Bank (Switzerland) Balmistrasse 63 8021 Zurich, Switzerland

FLORIDA FEDERAL SAVINGS INTERNATIONAL FINANCE, N.V.
Dated: April 5, 1988

Under the United States Interest and Dividend Tax Compliance Act of 1983, any payment made within the United States, including payments by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds if payee not recognized as a exempt recipient fail to provide the payee agent with an executed IRS Form W-8 before the date of account opening or an executed IRS Form W-9 in the case of U.S. persons. Those holders who are required to provide their correct taxpayer identification on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of U.S. \$30. Please, therefore, provide the appropriate certification when presenting securities for payment within the United States is sought.

RAT CATCHING, GARBAGE COLLECTING, DRUG DEALING

(and 197 other ways to be one of the
200 smartest companies in Britain).

This month we're lifting the lid off the 200 fastest growing companies in Britain.

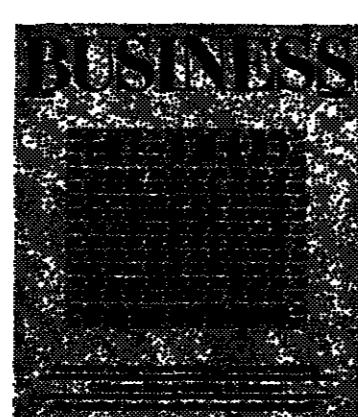
Some of them may sound a little obscure today, but from our list will undoubtedly emerge the Hansons and BTTs of tomorrow.

Which ones? And why?

Thirty pages of detailed analysis will give you the answers.

Also we'll be taking a look at the extraordinary coming and going at Citicorp, Birmingham, big yachts in the America's Cup, huge container ships from Taiwan, junk food. And as a perk we feature a special report on company cars.

BUSINESS Magazine - once again you simply can't do business without it.



National Home Loans Blue Chip Interest Rate

for the period from 1st April to 30th June 1988 is:
FOR HOUSE PURCHASE 9.687% APR 10.1%
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For further information contact:

HomeLoans

The National Home Loans Corporation plc
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Solihull, West Midlands B91 3QE

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Looking to re-locate? Here's a list of all the cities on the south coast with Government Assisted Area Status.

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When you're making a major move, you need all the help you can get. That's where we have the advantage. Not only can we offer you Government Grant Assistance, but also a sophisticated infrastructure that's been built up to serve companies like Wrigley's, Bechtel, Dickinson, British Aerospace, Plessey and Texas Instruments. And there are other benefits. Like rent levels that are currently half those of the Thames Valley. A communications network that can get you to London inside an hour, Birmingham in around three hours, and Santander in less than twenty-four hours. Plymouth is the best place to live in urban England. That's the finding of 2 years' research by Glasgow University. The quality of life here cannot be equalled, and we're surrounded by countryside with everything from bracing moorland to exhilarating watersports. A stable and receptive workforce. A plentiful supply of housing. And the list goes on. Get the complete version from Peter Burrows on 0752 264885.

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PLYMOUTH

THE CITIES Dept
Plymouth, PL1 2EW

Financial Times Tuesday April 5 1988

Phillips & Drew launches venture capital fund

BY CHARLES BACHELOR

PHILLIPS & DREW Development Capital today launches a £100m venture capital fund to invest in management buy-outs and in established companies looking for expansion capital.

This is the third large venture capital fund to be announced in the past week and comes just over two months after P&D Development Capital recruited three of Citicorp Venture Capital's leading executives.

Mr Ian Hawkins, a partner in P&D Development Capital, said the launch of The Phillips Ventures Fund confirmed a revival of the venture capital fundraising following the stock market crash in October.

Phillips & Drew was the first large UK stockbroker to launch a venture capital fund when it raised £22m in early 1986.

The first fund has invested £18m in 20 companies and expects to be fully invested when subscription for its second fund closes later this year.

P&D made a 47 per cent annualised return on its first fund in the period to September 1987, it said.

Like the first fund, the Phillips

Ventures Fund promises to give investors a pay-back greater than the return that could expect from the FT All-Share Index before the fund itself takes an equity stake.

This is intended to make the fund more attractive to institutions which resent venture managers rewarding themselves with equity holdings if the fund has not performed well.

Once this performance target has been reached, the Phillips fund will take the usual 20 per cent stake or "carried interest" in its portfolio of investments.

The two other venture capital funds announced in recent days were a £50m fund to invest in medical technology and science-based companies from Guinness Mahon, the merchant bank, and a £20m high-technology fund specialising in biotechnology and healthcare from Charterhouse, the financial services group.

The three Citicorp executives who joined P&D in January were Mr Frank Neale, head of venture capital, Mr Charles Gonsior, head of management buy-outs, and Mr Ron Hobbs, vice president.

Olivetti to create 200 mini-computer jobs

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

THE BRITISH subsidiary of Olivetti, the Italian office systems company, aims to hire 200 employees this year for its drive into the mini-computer business market.

Olivetti's move into the mini-computer sector launched last year, takes it for the first time into a head-on battle with International Business Machines and Digital Equipment, the two American companies which are the established leaders in departmental business computing.

Until now Olivetti has concentrated on less powerful personal computers which can be sold without the elaborate marketing networks run by larger groups.

Because of the investment in retraining to cope with expansion, Olivetti UK registered a loss last year despite a 16 per cent increase in turnover to £137m. The company is planning for only a modest profit this year. It will still be spending heavily on increasing resources to cope with further sales expansion to around £160m.

Mr Paolo Tosi, managing director of the British subsidiary, said Olivetti was deliberately allowing its margins in Britain to decline because its main aim was to grow fast. He said the company wanted to establish an adequate base in the market for departmental years.

Reed opens first paper machine for 30 years

BY MAGGIE DUNN

REED INTERNATIONAL has opened a paper machine for the first time in 30 years, at its Aylesford Mill near Maidstone, Kent. Such an event is still rare in the UK and last week's opening ceremony was attended by paper makers from all over Britain.

For many years, news from paper mills has been of machine closure, as the UK paper industry declined and only the most efficient, modern machines were profitable.

The Aylesford site, where Reed first started as a company in 1903, once housed 13 machines making a wide variety of paper. At its peak, it was the largest of its kind in Western Europe and produced 300,000 tonnes a year.

The new paper machine, called PM 6 as it sits on the site of the old number six machine, is one of only three. Numbers 2 and 6 make paper for corrugated cases (cardboard boxes to the layman), while PM 13 makes news-

print. The mill uses waste paper as its raw material.

Mr Jonathan Benn, chairman of Reed's European Paper Group, says the £10m cost of building PM 6 would have been far higher had not much of the infrastructure already been in place.

The machine house was a relatively modern, two-storey building. It had the foundations from the old PM 6 machine which had been 5.3m wide, a good size even by modern standards, and, says Sir Jonathan, "we had an awful lot of the cast iron." The low technology parts salvaged from old machines.

He estimates that, building from scratch on a greenfield site, the machine would have cost £20m or £25m. As it is, he foresees a pay-back period of a little over five years from the time the project was approved in May 1986. He reckons to reach that point within the remaining three-and-a-half years.

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UK NEWS

Michael Dixon looks at the Baker reforms that have divided MPs for more than 200 hours of debate

Education Bill heads for place in Westminster records

ONE OF the few things on which MPs of all parties agree is that the Government's Education Reform Bill will go down in history as a monumental achievement - in the parliamentary record books, at least.

When it completed its passage through the Commons last Monday, it had already taken up well over 200 hours of debate. With more to come in the Lords, the measure is virtually sure to become the most lengthily debated bill since 1945.

What judgment history will pass on its educational effects, however, continues to be hotly disputed.

Mr Kenneth Baker, Education Secretary, claims the legislation will be remembered as "a charter for better education." He pins that forecast particularly on the bill's provisions to loosen bureaucratic control over state schools by increasing the managerial power of their individual head teachers and governing bodies.

The two other venture capital funds announced in recent days were a £50m fund to invest in medical technology and science-based companies from Guinness Mahon, the merchant bank, and a £20m high-technology fund specialising in biotechnology and healthcare from Charterhouse, the financial services group.

The three Citicorp executives who joined P&D in January were Mr Frank Neale, head of venture capital, Mr Charles Gonsior, head of management buy-outs, and Mr Ron Hobbs, vice president.



Jack Straw: authoritarian and unworkable



Kenneth Baker: charter for better education



Paddy Ashdown: dangerous for future of our children

three changes from the original draft which could be considered important.

The first, in which Mr Baker bowed to pressure from the churches, will confirm religious education as a subject which must be taught to every pupil in state-maintained schools. But since how it is taught will be decided on a local basis, RE will not be included in the National Curriculum of seven or eight subjects - including English, mathematics, science, and technology - to be centrally imposed.

A second significant change will allow the schooling system more flexibility than had first been stipulated in the teaching of children with handicaps and behavioural problems, and provide them with certain entitlements. For example, they will be safeguarded against being refused admission by schools which opt out of local authority control.

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Nor have all the changes been to the opposition's liking. In particular, there has been a severe

sharpening of the proposed treatment of the Labour-controlled Inner London Education Authority which runs state-maintained schools and further education colleges in the 13 central boroughs of the capital.

The concessions have, nevertheless, not been those opposition parties most wanted. For instance, the provision for schools to apply to opt out, even though some Tories have censured as "socially divisive," remains intact.

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sharpening of the proposed treatment of the Labour-controlled Inner London Education Authority which runs state-maintained schools and further education colleges in the 13 central boroughs of the capital.

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UK NEWS

Power sell-off 'could threaten fast reactor plan'

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN's £100m-a-year fast reactor nuclear programme could be a casualty of privatisation plans for the electricity supply industry.

Executives at the Central Electricity Generating Board say privately that the programme no longer has a high priority in the board's long-term thinking.

Leaders of the nuclear industry fear that a privatised generation industry will have statutory obligations for ensuring long-term supplies will no longer feel strongly committed to a reactor it may not order as a series for a further 30 years.

The most serious effects of cuts in the programme would be in the Scottish Highlands, where more than 2,000 work at the nuclear research centre at Dounreay.

The fast reactor is based on technology which could make Britain independent of uranium imports by using the national stocks of "depleted" uranium from current nuclear activity.

As with the space programme, industry's unwillingness to invest could lead the Government to conclude that commercial prospects are too remote to justify its present level of investment.

Last year the CEBG contributed about £30m towards the national fast reactor programme and was planning to increase it to £50m. The balance of funding comes almost entirely from the Energy Department through contracts agreed with the UK Atomic Energy Authority, which manages the programme.

The Department of Energy's recent white paper on privatisa-



Labour's plans for election opposed

By Peter Riddell, Political Editor

PROPOSALS TO INCREASE the involvement of rank-and-file Labour members in this autumn's election for the party leader and deputy leader face opposition at a meeting of its national executive later this month.

Mr Neil Kinnock, the party leader, has suggested that the executive should consider draft guidelines on the balloting of members by local parties before they decide how to cast their votes on the leadership at the party conference.

This idea is opposed by hard-left supporters of Mr Tony Benn and Mr Eric Heffer, who are standing as leader and deputy. They see it as an attempt to change the rules after the contest has started.

The plan for the balloting of members about their views on the leadership contest follows last year's party conference decision in favour of a one-member-one vote system of voting for the reselection of sitting MPs, and selection of candidates.

This is, however, within the framework of an electoral college giving votes to the unions and other associated bodies. Any guidelines would only be advisory this year.

Mr Kinnock and Mr Roy Hattersley, the deputy leader, have quickly enlisted the support of major union leaders for their reselection in face of last week's intervention from Mr John Prescott, the party's energy spokesman.

Mr Rod Todd of the transport workers has pledged his personal backing, though not yet that of his executive. Some support for the existing leadership also came from Mr Garfield Davies of the shopworkers, Mr Bill Jordan of the engineers, and Mr John Edmonds of the General Municipal and Bakers.

Mr Gough says interest in the West Midlands has been stimulated by the recent strength of local industry, which has buoyed demand for premises, and by the shortage of development opportunities in the severely competitive property market of the south-east.

Site preparation is taking place in many parts of the West Midlands in preparation for industrial development, Mr Gough says, and his firm is on the verge of announcing half a dozen schemes. He expects about 250,000 sq ft of new industrial accommodation to be created in Birmingham during the next year.

Three of the schemes to be announced by Cheshire Gibson are to be located in the London-based Canfield Business Park, which has committed itself to three industrial warehouse developments.

Midlands industrial property 'recovering'

By RICHARD TOWINKS, MIDLANDS CORRESPONDENT

THE WEST MIDLANDS is on the brink of a significant recovery in its industrial property market triggered by an upsurge in investment by London developers, according to one of the region's leading firms of chartered surveyors.

Cheshire Gibson of Birmingham says sales worth millions of pounds have been agreed with London property companies for industrial investments this year and that the trend is set to accelerate.

The firm's assessment will be welcomed in the West Midlands because the region has been blighted since the recession of the early 1980s by large expenses of vacant or derelict industrial property.

The surfeit of industrial property has combined with low demand to hold rental levels down and discourage developers from erecting the type of modern industrial premises which are needed to attract new employees and help existing businesses expand.

Mr Rod Gough, a partner at Cheshire Gibson, says his firm has dealt with industrial property sales to London companies totalling more than £14m so far this year and that the volume of deals is an indication of strong

Morgan Grenfell stays top

By MARTIN DICKINSON

MORGAN GREENFELL just managed to hold on in the first quarter of 1988 to its long-time position as the leading financial adviser in UK takeover bids, according to a survey by Mergers & Acquisitions, a magazine published by the Financial Times group.

Morgan advised on seven completed bids worth £3.07bn for publicly quoted companies. That was just ahead of Kleinwort Benson, with five bids worth £2.95bn; Shearson Lehman, the US investment bank, with three bids worth £2.92bn; N.M. Rothschild with seven bids totalling £2.74bn; Schroder Wagstaff with three bids

worth £2.65bn; and Lazard Brothers with three bids worth £2.15bn. A bidder's advisers are only included when they appear on the offer document.

Morgan's tally included acting

for Deter Corporation in its defence against Barker and Dobson's £2bn bid. Deter's primary adviser in this battle was Lazard Brothers. Barker was advised by Kleinwort Benson.

This battle was one of two "mega-bids" which dominated the quarter. The other was the £2.5bn bid by British Petroleum (Schroder was the named adviser) for British Gas (advised by Rothschild and Shearson).

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area - from computers, peripherals, fax and key telephones to TV, video, hi-fi, satellite broadcasting and car telephones.

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Japanese criticise British component suppliers

David Thomas on a report outlining the obstacles to increasing local content

DEMAND BY JAPANESE COMPANIES IN UK FOR COMPONENTS

Category	Demand (£000s)	EC content (£000s)	UK content (£000s)	%
Printed circuit boards	52,420	19,700	61,16,000	59
Transformers	14,000	7,282	4,432	28
Discrete semiconductors	4,527	1,760	40,110	2
Electronic sub-assembly	14,200	12,607	55,1,120	43
Capacitors	9,172	1,120	12,8	6
Resistors	1,973	500	27,6	6
Interconnect	5,145	3,364	5,2,304	55
Switches	8,429	3,159	4,1,230	21
Other electronic	7,527	5,491	7,4,281	61
Metalwork	4,905	3,215	74,3,115	34
Plastic parts	71,225	11,490	53,4,950	74
Other mechanical	44,345	12,465	28,9,785	22

Source: Coopers & Lybrand

were the main barrier to more component sales. These include:

- Quality. The quality of UK components was generally lower than in Japan. Quality improvement programmes "tended to be somewhat superficial and not effectively implemented down to shop floor level."
- Prices. Prices were considered high: for consumer products, 10-20 per cent more than the cost of components brought from Japan, and for office products, where suppliers seemed used to defence markets, much higher.
- Delivery. British suppliers often failed to meet delivery dates, which were quoted in weeks, whereas Japanese suppliers kept to their delivery dates which were cited in days.

- Marketing. Japanese companies have had to search for British suppliers, often finding them nearby, unaware that a potential customer existed. When contacted, British suppliers took several weeks to respond, compared with the few days expected by Japanese companies.

The report also points to the project: the fullest survey attempted of the component purchasing patterns and intentions of Japanese manufacturers in the EC.

The confidential report of the survey gives a detailed breakdown of sourcing by companies accounting for about a third of total component purchasing by Japanese manufacturers in the UK.

It finds a low level of discrete semiconductors, capacitors, resistors and switches sourced in the UK, offset by a high level of television tubes, transformers, printed circuit boards and metal parts. Relatively large amounts of other components, such as discrete semiconductors and plastic

parts, are sourced from elsewhere in the EC.

Parts such as capacitors and resistors are bought mainly outside the EC, the report suggests, because they are commodities of scale available in the Far East.

The report also points to the failure of Japanese companies to shift design and engineering centres to Europe as a structural hurdle for UK companies wishing to sell components to Japan.

But the main burden of the report is the Japanese perception of poor performance by UK suppliers. Although some Japanese companies acknowledged recent improvements, they stressed problems which they believed

Budget insurance windfall

By Eric Short

INVESTORS with Royal London Mutual Insurance Society, the home service insurance company based in Colchester, Essex, will receive a windfall - maturing with-prime policies because of a change introduced in the Budget.

The change in the base year in assessing capital gains tax liabilities means life companies will enjoy a release of reserves set up to meet unrealised CGT liabilities prior to 1982, the new base year.

The change has allowed the company to add £10m to reserves to meet future bonus payments.

Royal London - a mutual life company with no shareholders - will pass on the windfall to its with-profit policyholders by increasing the terminal bonus payments when contracts mature or become death claims.

The increase in the pay-outs to investors with ordinary branch contracts ranges from 1.4 per cent to 4.5 per cent points on 25-year policies. This is in addition to the normal bonus increases arising from the assessment of the company's financial position at the end of 1987.

Thus, without this windfall, maturing 10-year contracts would see pay-outs unchanged, while pay-outs on 25 year policies would have increased by about 3 percentage points.

Some life companies recently announced their financial results appear to be using the release of CGT liability to offset the additional reserve being set aside to cover future potential AIDS death claims.

Royal London has set up a £2m AIDS claim reserve for its Ordinary branch life fund from other reserve funds, but has taken the decision to pass on the windfall to policyholders immediately.

Marconi gains satellite contract

By Nick Garnett

MARCONI SPACE Systems of Portsmouth, a subsidiary of GEC-Marconi, has won a £250,000 contract from the European Space Agency to lead design studies for the building of a probe that will explore Titan, one of Saturn's moons.

The probe is intended to be part of a satellite that is due to be launched in 1996. It is hoped that the journey into space will last eight years.

Seeking millions from acid rain battle

By MAURICE SAMUELSON

BY MAURICE SAMUELSON

A LITTLE-KNOWN company controlled by British businessmen hopes to earn tens of millions of pounds from Continental Europe's accelerating drive against pollution from acid rain.

It pins its hopes on a novel process for removing most emissions of nitrogen oxide (NOx) from coal-fired power stations and factory chimneys. NOx is believed to cause the alarming "die-back" of forest trees in central Europe.

The West Germans plan to remove polluting nitrogen emissions from power stations while they clean up emissions of sulphur dioxide. Those are believed to cause much of the acid rain damage to lakes and waterways.

Power stations and factories each account for about 25 per cent of NOx emissions. Of the rest, diesel vehicle exhausts

account for two-thirds and petrol engines the rest.

Diesel exhausts are difficult to treat, but petrol exhausts can be cleaned by fitting cars with catalytic converters or lean-burn engines, such as the one being developed by Ford.

The new process for cleaning up power stations or factories is called NOx-OUT. It was developed by Fuel-Tech, an international company set up in the United States in 1981 to improve the method of burning fossil fuels.

Since 1984, it has been financed by Schroders, the London merchant bank, and since last October it has been 50 per cent owned by Ford.

Those merely modify flame characteristics by mechanical means. Fuel-Tech says its technology complements, rather than replaces, the alterations in burner alignment being implemented by the Central Electricity Generating Board.

As the biggest single sources of pollution, power stations and factories are regarded as the easiest route to pollution control.

Following promising full-scale trials of its process, Fuel-Tech hopes that it will be rapidly

applied in West Germany, Switzerland, Austria and Sweden.

The technology is to be promoted in those countries by a joint venture launched this week between Fuel-Tech's West German subsidiary and Lurgi, the West German chemical company, and the Metzler bank of Frankfurt.

West Germany is trying to meet a European Commission call for cutting NOx emissions from power stations to only 200 milligrams per cubic metre by 1990. This implies a reduction of up to 90 per cent of present levels. It would then aim for similar standards in industry by 1995.

Fuel-Tech says capital costs of installing its technology are \$15-30 per kilowatt of installed capacity, compared with \$80-\$100 for the rival Japanese process.

The company is adding to its reserves to meet future bonus payments.

Royal London - a mutual life company with no shareholders - will pass on the windfall to its with-profit policyholders by increasing the terminal bonus payments when contracts mature or become death claims.

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Building societies 'making deep inroads into banking'

BY DAVID BARCHARD

BUILDING SOCIETIES have made deep inroads into services traditionally carried out by banks, according to a survey in the current issue of the Building Societies Gazette.

The survey shows that 17 building societies offer cheque books to their customers, including five of the 10 largest societies.

Halifax, the largest, is not included because its cheque book service is not generally available.

A similar number of building societies also offer cheque guarantee cards, and Abbey National, the second largest building society, recently launched the first £100 cheque card.

Nine societies issue Visa or Access credit cards, and Halifax and Leeds are soon to issue their own cards belonging to the Visa

group. Forty building societies will pay standing orders and 23 will pay direct debits.

Most of the large societies have moved into services such as travellers' cheques and foreign currency sales. A further 33 offer out-of-hours cash from automated teller machines, although Halifax is the only large society to operate its own ATM network of more than 500 machines.

Other societies rely on two national, independently operated ATM networks, Link and Matrix.

UK NEWS

Rolls-Royce says use of ceramics is set to take off

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD MARKET for advanced composite materials using ceramics could be worth \$30bn a year by the end of this century, rising to about \$20bn a year by 2010, according to Rolls-Royce.

This view is expressed in the latest issue of the Rolls-Royce company magazine, which reveals that it is leading a research programme, including both universities and its supplier companies, into the development of materials and manufacturing techniques for advanced gas-turbine engines which will operate at much higher temperatures than today.

Mr Bob Jeel, chief of materials and mechanical technology for Rolls-Royce, says radically new materials are needed because metals cannot provide the engine performances likely to be needed.

He points out that Rolls-Royce's studies show that a new military engine for the next century will have to provide a thrust of 20 times its own weight, compared with eight times for today's engines.

It will also have to use 25 per cent less fuel for a typical mission than current engines and its

Courtaulds reorganises film and packaging

By Anthony Morton

COURTAULDS has reorganised its film and packaging interests as part of a move over the next 18 months to use its name on all companies in the group, one of the largest chemicals-to-clothing concerns in the world.

From today, BCE, its manufacturer of cellulose film and other packaging materials, is renamed Courtaulds Films and Packaging.

The operation, under managing director Mr David Goode, formerly chief executive of BCE, will be divided into two business groups, Courtaulds Films and Courtaulds Packaging. The headquarters will continue to be at Bridgwater, Somerset, where it employs 1,900 people.

Courtaulds Films will comprise all BCE film-producing operations together with Matic Processing, a US manufacturer of high-performance solar and security films bought by Courtaulds last year.

Courtaulds Packaging will continue the worldwide printing and conversion businesses.

Behind the reorganisation is an attempt by Courtaulds to halt the slide of cellulose products such as Cellophane.

David Blackwell continues the series on investor protection with a report on the AFBD Futures brokers clear their last big obstacle

THE ASSOCIATION of Futures Brokers and Dealers recently cleared the last big hurdle on the road to the A-Day deadline for applications when it agreed capital adequacy rules with the Securities and Investments Board.

done. In this way bureaucratic duplication should be avoided, as should any need for double capital requirements.

The effect of these arrangements will remove very substantially the problems confronting us, says Mr Annand. "Nearly 50 per cent of members who we thought would have difficulty meeting the SIB's original rules will now be able to comply."

The association was officially designated an SRO by the SIB on January 18. It will take most of what we believe is a helpful arrangement, he says.

The system will allow firms to count as an asset surplus cash or client funds paid into the parent group's treasury, subject to certain safeguards. They also allow firms to include as capital parent or group-company guarantees in place of bank undertakings.

Where companies dealing in multiple markets belong to different self-regulatory organisations (SROs), a lead regulator will be appointed to monitor the capital requirements for all business

Exchanges, the London Futures and Options Exchange (the former London Commodity Exchange, now known as Fox), the International Petroleum Exchange and the recently-established Baltic Futures Exchange, which includes the potato, soya meal, meat, grain and freight futures markets.

Applicants whose membership has not been cleared by A-Day will be given interim permission to trade. Mr Peter Saine, the association's compliance manager, cannot say how many of the 262 applications for new membership will be cleared by A-Day.

"We just don't know," he says. "But it will certainly not be before the end of the summer."

Most applications held for reconsideration so far cannot be cleared because of problems with access to information — in Jersey, for example. Some branches of foreign banks are fit and proper to trade and have adequate adequacy of its members.

The exchanges in the association's brief are Liffe (the London International Financial Futures Exchange), the London Metal Exchange, the London Futures and Options Exchange (the former London Commodity Exchange, now known as Fox), the International Petroleum Exchange and the recently-established Baltic Futures Exchange, which includes the potato, soya meal, meat, grain and freight futures markets.

The system will allow firms to count as an asset surplus cash or client funds paid into the parent group's treasury, subject to certain safeguards. They also allow firms to include as capital parent or group-company guarantees in place of bank undertakings.

Without its authorisation firms will be unable to carry out investment business on recognised investment exchanges. The association also has powers to monitor the conduct and capital adequacy of its members.

The exchanges in the association's brief are Liffe (the London International Financial Futures Exchange), the London Metal

At the beginning of last week

The association is also considering the 100-page book of suggested amendments to its rules submitted earlier this month by the Commodity Traders Group. This London-based pressure group is unhappy about the effects compliance will have on business.

"We will look at their proposals very carefully and take a realistic and pragmatic approach so far as we can within the terms of the act," says Mr Annand. The association plans to visit each member company at least once a year.

As for any company which might be trying to slip through the net by getting interim authorisation to trade, Mr Annand says: "If there is any reason to believe an applicant has demonstrated standards less than acceptable as to being fit and proper persons to carry on trade, we will thoroughly and enthusiastically investigate them."

Trade and Industry issues a certificate exempting it from certain provisions of the 1986 Financial Services Act.

The exemption will exclude it from seeking authorisation from UK authorities. An amendment to this effect was contained in a statutory instrument laid before parliament at the end of February.

APPOINTMENTS

Heron Trading posts

HERON TRADING CORPORATION, UK trading arm of Heron International, has made the following appointments to its board: Mr Michael Marks, Heron International director (deputy chairman); Mr Keith Lomax, director, managing director of Heron Service Stations; Mr Richard Morris, managing director of Heron Freight; Mr Alan Pelt, director of human resources; and Mr Peter Court, deputy director of financial operations.

BANK OF SCOTLAND has made the following appointments: Mr Sandy Cameron, senior manager, Inverness, becomes an assistant general manager, branch administration, west area, from April 4. Mr Dick Hirst, manager, systems development, management services division, has been appointed assistant general manager, property, from May 3. In store to Mr Tom Alexander, who retires later this year. Mr Fraser Campbell, a director of Coopers & Lybrand, Edinburgh, and a former executive director of The British Linen Bank, becomes an assistant general manager, branch administration, east area, on April 18.

Mr Bryan Bassett, a director of Royal Ordnance, and Mr David Keys, who recently retired from the board of Morgan Grenfell, have been appointed non-executive directors on the board of NORWICH UNION.

Mr Frank Thaxton has joined the corporate finance division of CHANCERY SECURITIES. He was director of Innotech.

Mr Bernard A. Richardson, technical director, has been promoted to director and general manager of HLP (hot isostatic processing), Shropshire, Derbyshire, a subsidiary of Marshalls, Halifax. Mr John Thompson, founder and managing director of HLP, will be retiring in April.

The board of COLLY FARMS COTTON has been restructured following its acquisition by Anglo American Agriculture. Mr David Pinfold, chairman; Mr David Farley, chief executive; Mr Philip Seale, finance director; Mr John Campbell, Mr Patrick Vigors, and Mr Roy Dallimore, director.

BROAD STREET ASSOCIATES (BSA), principal operating subsidiary of the Broad Street Group, has made the following appointments: Mr John Coyle becomes deputy chairman of Broad Street Associated Public Relations, remaining deputy managing director of BSA. Mr Colin Bayley becomes managing director of the PR company of which he was deputy managing director, and joins the board of BSA. He is succeeded by Mr John Harten. Mr John Emerson takes the post of planning director of BSA. He remains on the board of Broad Street Advertising as deputy chairman, where he is suc-

ceeded as managing director by Mr Alan Macdonald, who also joins the board of BSA.

THE NATIONAL TIRE DISTRIBUTORS ASSOCIATION has appointed Mr Malcolm Shields, group sales director, Fossitt & Thorne, as president.

MANCHESTER TOBACCO COMPANY has reorganised to form MTC (Holdings) and four subsidiary companies: Manchester Tobacco Co, tobacco manufacturing; MTC International, newly-established sales and marketing company, and soon to be established MTC Properties and MTC Car Parks. Mr George Mackin, until recently sales director and main board director of Philip Morris (UK), is appointed chief executive of MTC International and a director of MTC (Holdings).

Mr Peter B. Bonner has been appointed operations planning director, VAUXHALL MOTORS. He joined Vauxhall in 1955 and most recently had responsibility for the tooling modernisation programme for the new Astra range at the Ellesmere Port plant, and the new plant at Luton.

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MANAGEMENT: Small Business

JAPAN'S MULTINATIONAL corporations are like towers built on the foundations of thousands of small and medium-sized companies. The big companies dominate the headlines at home and abroad, but they are dependent on their suppliers for much of the value of their huge sales.

Together, small and medium-sized companies employing up to 300 people, account for 65 per cent of the country's manufacturing output. They provide an even larger proportion of the nation's jobs - 81 per cent. However, many are now under pressure as their mighty customers increasingly

look abroad for cheap sources of supply.

Some have successfully faced up to the challenge. Two examples are Takako Industries and Satosen, both of which are based in Osaka, Japan's second city. Takako Industries is an engineering group specializing in high-pressure valve parts, while Satosen is primarily a manufacturer of printed circuit boards.

In one key respect, the two are very different. Takako is a young, very independent company while Satosen is an old-established member of a group of suppliers serving Matsushita

Electric, the electronics giant. None the less, the two also have several important things in common.

Despite being forced to lower prices in the last three years because of the yen's appreciation, both companies are highly profitable. Both have succeeded in cutting costs by raising productivity without shedding any workers. Both put a strong emphasis on technological innovation as the key to their performance.

They argue that only by constantly maintaining its technological edge can Japan continue competing with low-wage countries.

Survival in the shadow of Japan's giants

Stefan Wagstyl follows the different strategies of two companies in pursuit of the same goal



YOSHIKUNI ISHIZAKI founded Takako Industries 15 years ago with his savings and a bright idea. At the age of 25, married with two young children, he left a safe job at a large engineering company to start his own business with the equivalent of 25,000 in capital.

Ishizaki then worked tirelessly to perfect his innovation - a radical improvement in cold forging. This is a technique in which components are stamped out of steel without first being heated as in traditional forging. By adapting machine tools and devising special lubricants, Ishizaki was able to perfect a process which, he says, is unique.

To prove his point, Ishizaki holds out a wishbone-shaped piece of steel - a gear box component he supplies to Honda Motor. The standard way of making this part is by milling - that is cutting and polishing on machines - at a cost of Y\$50.

Based on its success with cold forging, the company has pushed up both sales and profits by an average of 40 per cent a year for the past five years, reaching expected sales of Y2.5m and pre-tax profits of Y500m (32.8m) in the current year to the end of March 1988.

Technology accounts for the high profit margins. Competitors using conventional milling techniques spend 25-30 per cent of their costs on materials. At Takako it is just 7 per cent, because very little is wasted.

This lead has meant that the

company has suffered very little as a result of the rise of the Japanese yen in the last three years. Like other Japanese companies, Takako has had to lower prices - by 25-30 per cent - but the huge increases in turnover have allowed the group to maintain its margins.

Ishizaki says the company's success in winning new orders during a recession is not surprising because big companies re-examine their suppliers when times are tough and look for cheaper alternatives.

Ishizaki is fiercely independent. He says he left a big company in order to be free of restrictions in pursuing his engineering ideas. In the early days it would

have been very tempting to share development costs with large customers. But Takako deliberately avoided this route which is often taken by Japanese companies (including Satosen).

In hydraulic parts, which

account for 50 per cent of group sales, the six largest customers, all major Japanese pumpmakers, share half the turnover. Takako recently rejected a partial takeover offer from the biggest customer, Kabeaya Kogyo.

Takako also makes machine tools used in making microcircuits. The biggest buyer, Matsushita Electric, takes just 20 per cent of the output. Ishizaki points out that his proportion will not rise. "If we depend too much on Matsushita, Matsushita may threaten us, so it's our protection not to be dependent on them. In Japan it is often observed that large companies put pressure on smaller companies to make them join their sphere."

However, if Ishizaki's process is as good as he says, why has it not been copied by a large Japanese engineering company? One of his customers perhaps? Ishizaki says it would not be easy to imitate because it relies on incremental improvements constantly being made by different employ-

ees. The staff are well rewarded for their loyalty. They own 35 per cent of the equity. They are among the highest paid engineering workers in Osaka with an average salary of Y4.5m yen a year. Every year that targets are met there is a company holiday - this year it is to Hawaii.



Takako Industries: set up to benefit from what it claims is a unique and radical improvement in cold-forging

Satosen's technology lifeline to the future

SATOSSEN'S 30-year history reflects the development of the Japanese metallurgical industry from metal-hauling to materials science.

With skills in coating metals, it has advanced from painting and plating steel to treating plastic and glass and making printed circuit boards. Like many Japanese companies, Satosen has maintained a technological lead by continuously improving its production skills.

Satosen's recent development

moves much to its links with Matsushita Electric, the Osaka-based electrical group, which buys about 30 per cent of Satosen's sales of printed circuit board and

electronic components. Satosen has maintained a technological lead by continuously improving its production skills.

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electronic components. Satosen has maintained a technological lead by continuously improving its production skills.

By comparison with many Japanese companies supplying up to 100 per cent of their output to one big customer, this is a very modest level of dependence. But it is enough for Satosen to class itself as being in Matsushita's

group of about 100 companies.

More important, Satosen raised

productivity of the permanent staff by increasing automation.

In partnership with an equip-

ment supplier, Satosen developed a machine which prints both sides of a circuit board simultaneously. The company also introduced a computer bar-coding system to track all 1,500 of the components it makes to reduce stockholding to a minimum.

Today, plating still accounts for 40 per cent of sales, but Satosen concentrates on developing advanced techniques. For example, it is a leader in the plating of steel made by the revolutionary continuous casting process. It recently signed a joint venture with USX, the former US Steel, for a plant in Michigan, following a similar deal in Italy.

However, since the early 1970s, Satosen has diversified by applying its skills to markets with greater potential for growth. It has developed laminated stained glass for use in windows and chandeliers in public buildings. A stunning example hangs in the atrium of one of Osaka's newest hotels, the New Otsu.

The group's most important move was to become a supplier of components to the electronics industry, especially to Matsushita. Starting with simple printed circuit boards where electronic components are assembled on one side only, Satosen gradually introduced more sophisticated versions. It now concentrates on double-sided boards.

Satosen says: "This has been our strategy for survival. If our technology is not to be emulated by foreign companies in newly industrialised countries we have to keep developing it."

Unlike Takako, Satosen's technological lead was not great enough to give it a smooth ride when Japanese industry was hit after 1985 by the rise of the yen.

Satosen was forced to cut the price of printed circuit boards by 25 per cent. The group's sales slipped from a record Y4.5bn in 1985 to Y4.1bn in 1986, pushing profits down from Y250m to Y60m pre-tax. Last year Satosen recovered to sales of Y4.5bn and profits of about Y150m - but only after an intense drive to improve productivity.

Laying off any of the 160 permanent staff was unthinkable. But Satosen reduced the working hours of its 45 pensioners and part-time employees. Such people are common even in small Japanese companies - they provide employers with a convenient and cheap way of boosting output when times are good and cutting it when times are tough.

More important, Satosen raised productivity of the permanent staff by increasing automation. In partnership with an equip-

What you think of solicitors

BY CHARLES BACHELOR

MANY SMALL businesspeople urge extreme caution in employing the law as a means of solving disputes. This view emerges in a survey published by the Small Business Research Trust in its latest quarterly review. The survey looks at the extent to which small businesses use solicitors and what their opinion is of the advice they receive.

Fourteen per cent of respondents said they made regular use of a solicitor, 7.5 per cent made occasional use while 8 per cent got by without any professional legal advice.

Most small businesspeople (75 per cent) were satisfied with the advice they were given while 14 per cent said they were not (the rest did not respond to this question). Despite this high level of satisfaction two thirds of those responding advocated extreme caution in recourse to the law. One in seven would suggest "one as a matter of principle" while one in 20 advised avoiding legal action at all costs.

Professional fees are often a point of dispute: 28 per cent of respondents felt fees were not reasonable while 63 per cent said they were.

These figures make for an interesting contrast with the accountancy profession, surveyed in the trust's previous quarterly report.

Accountants have made great efforts in recent years to expand their small business activities and anyway have automatic access to small firms required to file audited accounts.

Nearly 35 per cent of respondents to the earlier survey said they made use of an accountant while 64 per cent found the quality of service to be satisfactory. However, 35 per cent thought accountants' fees were unreasonable.

As companies grow in size so they tend to start to use, or to make more frequent use, of a solicitor. In terms of industry sectors, wholesalers, financial services and insurance companies, estate agents and construction companies are heaviest regular users of a solicitor's services while retailers make the least use.

*Quarterly Survey of Small Business, Vol 4 No 1, £15 from Small Business Research Trust, Francis House, Francis Street, London SW1 1DE. Tel 01-822 5327.

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ARTS

Architecture/Colin Amery

Blueprints from Turner

"Consider the pleasure of being your own architect," wrote J M W Turner to his friend James Holworthy about one of the three building projects that occupied much of his time. It is clear from Turner's paintings that he did not simply record architecture but placed it in its context of light and landscape.

Not only did Turner design his own house in Twickenham but the gallery he built in London to display his own work was also an important demonstration of the use of natural light in the display of works of art.

At the Tate Gallery in the Clore Wing that houses the entire Turner Collection, there is one of those small but illuminating exhibitions that concentrates on one aspect of an artist's work. "Turner and Architecture" can be seen in the Watercolour Room of the Clore Wing until July 10.

The exhibition is an example of imaginative sponsorship by Davies Jones, Chartered Surveyors, who will from the beginning of April assume some of the responsibilities for the Tate's buildings that had previously been carried out by the Government's Property Services Agency.

This exhibition also gives the visitor an opportunity to look again at the work of the architect James Stirling who designed the Clore Wing and is working at the Tate in Liverpool and on further expansion schemes for the Tate on Millbank. Mr Stirling was recently pipped at the post in the competition for the new opera house in Toronto by the Canadian architect Mehta Shafrazi - a

disappointment for Stirling who had produced an intriguing design.

Looking at the Turner exhibition prompts all sorts of architectural thoughts, but they should not distract the appreciation of the frequently brilliant quality of the watercolours.

Architecture was clearly an important part of Turner's life from the time when he was only 14 and was employed by Thomas Hardwick (1783-1858) to draw up elevations.

Hardwick, the Millbank Penitentiary, which stood on the marshy site of the present Tate Gallery. However, his design did not get much further than the boundary walls because he resigned, failing hard done by with a salary commission of two and a half per cent offered by the Commissioners for Penitentiary in Ealing.

There are also sketches of the gatehouses that Turner designed for friends at Fawley Hall in Yorkshire, but much the most interesting building he designed was his own gallery. He opened his new premises for the display of his own work at 47 Queen Anne Street in London's West End in 1822. In the sketch book for the gallery project, Turner seems to have been much preoccupied with the question of light.

He introduced top lighting comparatively early - it had only been put into the Louvre in 1851. Ruskin's father claimed that "nothing since Pompeii so impressed me as the interior of Turner's house," and other visitors commented upon the "Indian red" of the walls and the remarkable quality of the light which was filtered by the hanging of a herring net below the glass.

The Dark at the Top of the Stairs/Derby

B A Young

William Inge conceded that this play, given a welcome production at the Derby Playhouse, was partly autobiographical, though it is unlikely that his early life in rural Oklahoma arranged itself so dramatically.

The play is like a clockwork toy; family situations are wound up in the first part of the evening and, when the power has been expended, they are neatly reversed so that by the end of the evening the motor is run down, the tensions slackened.

Rubin Flood (Robert Jezek), once a rancher, has become a travelling salesman. His wife Cora (excellently played by Barbara Pearce) tends to boss him about, and on this particular evening so annoys him that he slips her and threatens not to come back. His children are

entirely under their mother's influence, and she spoils them disastrously.

Teenage Reenie (Teressa McRae), dividing her life between the piano and the Harry, has become a swamp of self-pity. Her brother Sonny, about 10, (Stephen Clements on the night I was there, and very good indeed) is sullen and bad-tempered, and still climbs into his mother's bed if his father is away.

Reenie is invited to a party with her friend Flirt (Croyne Diana Hunter), where she will be provided with a "blind date." Her date is Sammy (Goldenbaum, Stephen Escret), tall, handsome, uniquely able to cope with Sammy's tantrums, but Jewish. He is a hit with the Floods, their friends and their relations; but to

never heard of a suicide that was expected," and, later a suicide himself, he may be allowed inside feelings.

Reenie and Sonny, deprived of the first proper relationships they had known, stop fighting and go to a movie together on the \$5. Sonny has won for a refection. And Rubin returns home with an apology and reports that he has lost his job and is going after another at Turner's.

The midwestern home life is familiar from movies and television, and Inge has peopled it with convincing characters and affecting emotions, though sometimes he uses a little too much conversation across the table to make them clear. The company, directed by Annie Castledine, is admirable.

Next day, Flirt reports that Sammy committed suicide during the night; Inge admitted that the suicide "was rather brusquely introduced; but, as he wrote, "I

had been gone missing, he had spent the rest of the evening looking for her. He too was short of appreciation.

Next day, Flirt reports that Sammy committed suicide during the night; Inge admitted that the suicide "was rather brusquely introduced; but, as he wrote, "I

London Philharmonic/Festival Hall

Richard Fawcett

thing to admire Brahms (as he did), quite another to turn out a symphony the grand plan of which is conceived and executed with almost Brahmsian confidence.

The weakness of the piece lies not in its broad outline but in the lack of character in the music that fills it. For all its emotive harmonies and lush orchestration, the slow movement shows that there is no satisfaction for a really good time. Think what Rachmaninov might have made of it) and the outer movements work up a lot of steam about issues that are never seen strong, gritty or individual enough to warrant such a heated argument. Everything is pleasing, but nothing at all is memorable.

Still, rather Glazunov once,

than Chalovsky's Fourth or Fifth yet again. And for that we have to thank Jirvi, who has been a tireless champion of the composer's music with a complete recorded cycle of the symphonies to his credit. The lusty orchestral sound that one associates with his days at the SND was largely reconstituted here to play Beethoven's *Espresso Concerto*, as fluid and graceful as one might expect, but not really the centrepiece that this symphony generated no less excitement than Rimsky-Korsakov's

Norwich Cathedral du Pre concert

There will be a concert on April 10 in Norwich Cathedral to commemorate the death of Jacqueline du Pre, who died last year of multiple sclerosis.

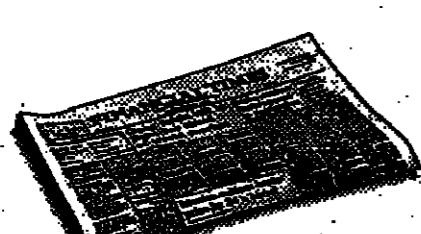
It is promoted by the Norfolk and Norwich Triennial Festival and the Multiple Sclerosis Society, which will receive the proceeds.

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FINANCIAL TIMES
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What put the Sir in Sir Walter Scott?

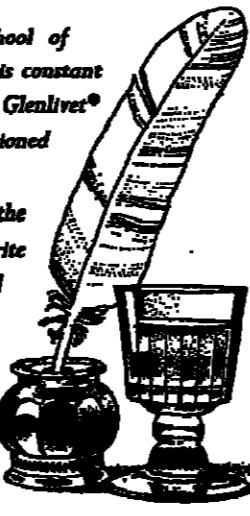
It has been commonly assumed that Sir Walter Scott was given his knighthood for services to literature.

However, there is a school of thought which is puzzled by his constant publicizing and praising of The Glenlivet single malt whisky. It is mentioned frequently in his writings.

This whisky was also the Monarch of that time's favourite tipple. It was said "he would drink nothing else".

Is there a connection between these two facts and his knighthood? I believe we should be told.

The Glenlivet
12 years old single malt whisky.



Arts Guide April 1-7

Opera and Ballet

LONDON

Royal Opera (Covent Garden). Peter Hall returns to Covent Garden as producer of the eagerly awaited new version of *Die Walküre* by Giacomo Puccini, with Maria Ewing in the title role and Robert Hale as John the Baptist. Final performance of *Un Ballo in Maschera* conducted by Richard Armstrong with Anna Pirovina, Sir Peter Dervock, and Piero Cappuccilli.

TOKYO

Shanghai Ballet (Globe). Helen Hall, Gobet. The Return of the King. (Mon, Wed, Friday and Sat, 7.30pm, 10pm)

Phoenix Singing on Gai Mountain (Thur). First foreign tour by a company which is said to have some fine young dancers: a rare opportunity to witness the revival of ballet in China. (Sat, Sun, 8pm)

Music

LONDON

City of London Sinfonia (Barbican Hall). Nicholas Hytner's new production of *The Magic Flute* is conducted by Alan Fisher and has Tim Rose, Eddie Hales, Field, John Rawley, and Gwynne Howell in the principal roles. Also in repertory: Ian Judge's production of *Cavalleria Rusticana* and *Pagliacci*. Lively, inventively, over-detailed, return with inventive, over-detailed, return with

Arthur Davison, Anne Potts, Alan Woodrow, and Jacki Stanch. Royal Ballet (Royal Opera House, Covent Garden). Triple bill of recent stagings.

TOKYO

Warsaw National Philharmonic Orchestra (Tokyo Bunka Kaikan). Conductor Kazimierz Kord, with Piotr Paleczny (piano). Mysorek, Rachmaninov, Brahms. (Mon) 6/6 (6/6)

Music

PARIS

2. Marivaux (Gaiety Foyer, Opera Comique). Janácek depicts Dostoevsky's obsessive memories from the prisoners' pathetic universe in Siberia. It is conducted by Sir Charles Mackerras/John Burden in a production by the film-maker Valer Gergiev. (Thur, 8.30pm)

3. *Die Fledermaus* (start) with Maria Kliegel (soprano) (Tokyo Bunka Kaikan, Royal Hall). Schubert etc. (Tues)

(Thur, 7.30pm)

Yehi Bronfman (piano), Japan Philharmonic Orchestra, conducted by Yukinori Tomita. Saint-Saëns, Stravinsky, Mozart. (Wed, 8pm)

4. *Die Fledermaus* (start) with Maria Kliegel (soprano) (Tokyo Bunka Kaikan, Royal Hall). Schubert etc. (Tues)

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Lack of vision on benefits

THE INSTALLATION of tough floor-to-ceiling barriers to protect staff in British benefit offices and a storm of protest from groups representing the disadvantaged constitute, by any standards, a disappointing reception for reforms which the Thatcher Government once claimed were as radical and exciting as those outlined by Sir William Beveridge in the 1940s. The social security changes being implemented this month have certainly not caught the popular imagination; they fall far short of the "new Beveridge" promised by enthusiastic ministers in the mid-1980s. Indeed, far from bolstering the Government's position in a sensitive area, the changes are likely to prove a continuing embarrassment for Mr John Moore, the Social Services Secretary.

Much of the hostility reflects a broad consensus that the Government has been insufficiently generous in setting the levels of new benefits. Some independent estimates suggest that up to 60 per cent of benefit recipients could lose out in real terms as a result of the changes. Such figures are hotly contested by ministers, who emphasise the importance of transitional relief. Whatever the truth behind the conflicting calculations, the Government cannot claim to have "lubricated" the reforms generously nor can it easily impose a relative squeeze on the poor.

Questionable distinctions

The stinginess of benefit levels obscures some modest structural improvements. The old benefits system was extraordinarily complex with many different scales and a web of special payments for special needs. Different types of benefit were calculated according to different criteria, with peculiar results. The new income support is simpler and related to net rather than gross income. The upshot is that the interaction of the tax and benefit systems can no longer produce the absurdity of effective marginal tax rates in excess of 100 per cent - people will not be made worse off by working harder, except to the extent that they incur additional national insurance liabilities.

The price of the rationalisation, however, is high. The best

ing of benefit on net incomes means that many poor families no longer benefit from increases in the income tax threshold. The poverty trap is far from eliminated: indeed the number of families facing marginal tax rates of 70-90 per cent as benefits are withdrawn is estimated to have doubled to about 500,000.

At the same time, the new rules introduce some very questionable distinctions. Income support is age-related: a 24-year-old will get significantly less assistance than a 26-year-old regardless of their objective needs. Yet age per se has no bearing on poverty. The introduction of premiums for certain client groups re-introduces the old Victorian distinction between the "deserving" and the "undeserving" poor.

Artificial line

The central focus of hostility, however, is the new "social fund". Grants for urgently needed household capital goods such as beds and cookers are to be replaced in many instances by loans, loans moreover that are at the discretion of civil servants. The fund itself will be cash-limited and inadequate to meet expected needs, at least by part. Backed by the poor will then have to compete for the goodwill of officials and pack their debts out of reach. Future benefits or, more likely, by falling into the clutches of local loan sharks. Limping fresh debts on people already below the poverty line is totally unnecessary.

Historians are likely to regard the "Fowler" social security reforms as little more than a penny-pinching stopgap. They do not address the real problems, not least because of the narrowness of their scope. The hope must be that a future government will work on a larger canvas and not try to draw an artificial line between benefit reform and tax reform. There can be no justification, for example, for sharply cutting back housing benefit while leaving mortgage interest relief and other middle-class perks untouched. Welfare for the poor should be shrunk, if at all, only after welfare for the rich has been eliminated. We are still awaiting a "new Beveridge".

Rules for the Gatt system

WHEN CRITICISED about the US budget deficit, the Administration stresses its support for a balanced budget amendment to the US Constitution. The promise of the enactment of virtue at some distant date is offered as a substitute for virtue today. Similarly, the agreement of the European Community, the US and Japan on strengthening the General Agreement on Tariffs and Trade could prove an alternative to willingness to abide by Gatt principles and rules right now.

If the aim is to strengthen the trading system, one needs to start with the Gatt's essential nature. The Gatt is a contract. Gatt obligations are designed to ensure a degree of consistency, predictability and liberalism in the trade policy of member countries. The central will fail to achieve its central purpose if important contracting parties break the rules whenever they find them inconvenient.

To strengthen the system three things have to be attempted: first, the rules themselves have to be written in a clearer and more economically sensible form; second, the Gatt secretariat has to play a more effective role than at present in policing the rules; finally, the domestic politics of the member countries have to be altered to make the rules and the principles underlying them more politically effective.

Breaches of law

At present, a number of rules can be obeyed formally, even though the underlying principles of the system are severely violated. For example, the article dealing with the use by developing countries of balance of payments purposes has given a safe haven to costly protectionism. Similarly, anti-dumping duties are in danger of becoming a new costly distortion of trade than dumping.

Looking at the Gatt as an institution, the most important reform would be to allow the Gatt Secretariat to take a lead in publicising breaches of Gatt law. At present there is, unfortunately, too often a conspiracy among the member countries to keep violations secret.

The surveillance function of the Gatt Secretariat could by member countries. It will be include country reviews of trade their principal consequence.

Clive Wolman describes the change in academic thinking brought about by the stock market crash

Efficient market theory stumbles

THE STOCK MARKET crash last October has reversed a 30-year intellectual trend which provided the ideological underpinning for many of the 1980s' government and corporate initiatives around the world - from privatisation and the liberalisation of financial markets to the acceptance of takeovers.

The sudden falls of between 20 and 40 per cent in world stock markets and the lack of any economic developments to justify them, either at the time or over the subsequent six months, have become impossible to reconcile with the theory that share prices consistently reflect the underlying values of companies.

Mr Stewart Myers, Economics Professor at the Massachusetts Institute of Technology and London Business School, has, through his publications, played a key role in spreading understanding of what is called the efficient market theory from beyond the business schools, where it came into fashion in the late 1950s, to practitioners on Wall Street and, during the last five years, in the City of London. But at a conference last week on the stock market crash at the London School of Economics, Mr Myers recanted. "The efficient market theory is dead, at least in its simple form," he said.

In all its forms, the theory insists on the rationality and stability of stock markets and demands that those engaged in bouts of wild speculations - share price, it claims, represent the best possible estimates of companies' future earnings in the light of all publicly available information.

In the hurly-burly of City dealing rooms, where anomalous price movements are exploited daily, the theory has always been dismissed as the product of remote academic theorising. Likewise in company boardrooms it is rare to find a director who does not believe that his company's share price is both too low and prone to inexplicable gyrations.

However, the influence of the theory on both public policy and corporate management has become pervasive, not only in the UK and US, but also in western Europe and Japan. A number of consequences have followed:

• Institutional and fiscal obstacles - like stamp duty - which discourage share trading have gradually been dismantled in the belief that they prevent share prices from adjusting swiftly to their "true" value in the light of new developments and information.

• Small investors have been encouraged to buy stock market listed shares as the worry that they will be sold "dumb" (unfairly overvalued shares) has diminished. According to the theory, any additional information that the professionals have and small investors lack is already reflected in the share price.

• The growth of passively managed investment funds in the US and UK has been based on the belief, and growing evidence, that professional active fund managers are incapable of making money by spotting under-valued or over-valued shares. According to the theory, such shares rarely exist.

• Takeover and merger activity has been encouraged as a way of promoting managerial effectiveness. Companies

policy, but these should surely focus on legal compliance, the Gatt's raison d'être. This does not mean that the economic appropriateness of alternative trade policies should not be assessed. But other institutions are better suited to this task. For example, the OECD is the natural institution for evaluation of the economic aspects of the policies of developed countries. Similarly, the World Bank or the IMF are better suited to evaluate the economic appropriateness of developing country trade policies.

Simplest change

There is also a limit to the degree of co-operation among the international organisations in the trade policy of member countries.

The central will fail to achieve its central purpose if important contracting parties break the rules whenever they find them inconvenient.

To strengthen the system three things have to be attempted: first, the rules themselves have to be written in a clearer and more economically sensible form; second, the Gatt secretariat has to play a more effective role than at present in policing the rules; finally, the domestic politics of the member countries have to be altered to make the rules and the principles underlying them more politically effective.

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The prisons are bursting

FOR the second time within a year Douglas Hurd, the British Home Secretary, has been obliged to make a statement last week to the effect that he was increasing, concealing yet again, this time by introducing a couple of new camps. On the basis of his own figures, there is every likelihood that he will be back at the dispatch box after the summer to announce a further expansion.

Why? The question was best put by Bruce Grocott, the Labour MP for The Wrekin, who asked:

"Why is it that we send more of our citizens to prison per head of population than any other country in western Europe, yet neither our streets nor our citizens are safer as a result? Will he admit that prisons are overcrowded not as a result of people being in prison because they have committed violent crime, but because they are cluttered with petty offenders, who are on short sentences in local prisons?"

The Home Secretary did not exactly run away from the answer. He said: "The trouble is that one man's petty offender is another man's dangerous housebreaker. That is decided not by the hon. Member nor by me but by the courts, case by case."

And indeed the present Home Secretary is in many ways the soul of discretion. He can see the problems, even discern the solutions, but refrain directly from telling the courts to stop piling up trouble for the future.

This is an oddity in the Thatcher era. Normally when one public body or another is judged obtrusive - the teachers or the local authorities, for example - the Government turns on them full blast. Hence the charges of increasing centralisation in contemporary Britain. Yet the courts are allowed to go on sending people to prison cells which barely exist, which are overcrowded if they do, and often for no obvious other than temporally to get them out of the way.

Hollis goes free

STILL on the courts in a way, there was a lot to be said for the Trial of Sir Roger Hollis, the three hour documentary on Independent Television on Sunday about the head of British intelligence who may have worked for the Russians. Yet if counsel for the defence and the prosecution normally behave in such a supercilious manner, and those being questioned are too supine to

OBSERVER



"Is it me, or do I smell match-balls?"

answer back, there cannot be much to be said for British justice.

One recurrent point showed naïvete all round. It was suggested that because Hollis had worked for a multinational company, and one with rather a global reach, he was unlikely to have been an agent at the time - for either side, or both. It seems to me that that is precisely where an agent might have been working, especially in those days.

It was also striking that Paul Greengrass, the man who ghosted Peter Wright's book *Spycatcher* and without whom the book might never have been written, said he believed that Hollis was innocent. Since the main motivation of that largely unreadable tome seemed to be that Hollis was guilty, it makes one wonder what Greengrass was up to.

The verdict, of course, was that the case against Hollis was not proven, as it was bound to be.

The reason why I think that he was innocent is that it would have been in the interest of successive British governments, who have investigated the case time and again, to have come clean if he had not been. That applies particularly to the Thatcher Administration which had nothing to do with the Hollis period and, in denouncing him, could have placed the blame squarely on his predecessors.

Philby's next move

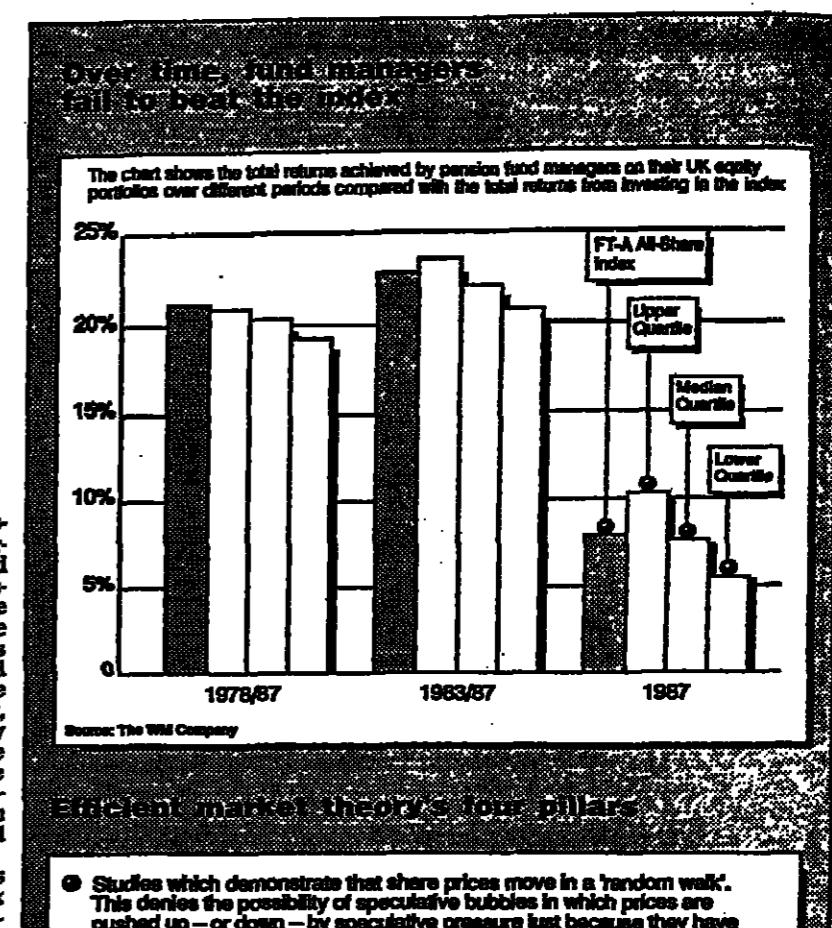
NEVERTHELESS, something strange must be stirring in the old espionage world. For why is Kim Philby, the Soviet spy par excellence, giving interviews to the Sunday Times? So far he has revealed little that is new, but the series continues and one cannot imagine that the KGB, which must have put him up to it, will allow it to peter out without some major revelation.

End of the march

THE weatherman got it wrong again. It was not such a bad Easter after all. Yet the forecasts of rain cannot have been the only reason why so few people turned up for the 30th annual march to Aldermaston. Perhaps it is simply that young people no longer go on picnics.

It is certainly not true that there is no longer a cause, nor that the old - or rather the young - Aldermaston was without its successes. It did stir Harold Macmillan into negotiating the partial test ban treaty, one of the most fundamental arms control agreements so far. It was a focus for debate - within families as well as on the march. Nothing like it seems to exist any more, and that is a loss for everyone. Better Aldermaston than the Gatecrashers' Ball, would be at least one parental view.

Please return
Someone asked for a rare book at the Vatican Library. After about two hours a note came back: "Missing since 1953."



- Studies which demonstrate that share prices move in a 'random walk'. This denies the possibility of speculative bubbles in which prices are pushed up - or down - by speculative pressure just because they have already been rising - or falling - rapidly.
- Studies which show that few, if any, professional investors are able to achieve higher returns over the longer term than the most naive investor would achieve on average by investing in an index/random or random selection of shares (see chart).
- Studies which refute particular allegations of stock market inefficiency. For example, a 1985 study of 324 firms by the US Securities and Exchange Commission disproved claims that increased spending by companies on R&D made their share prices fall by depressing short-term profits. On average, it found, they rose.
- Studies which show that stock markets focus on anticipated cash flows into and out of a company and see through "window-dressing" and misleading changes in accounting conventions.

which positive feedback players predominated throughout. After all, most European stock markets remained relatively stable throughout the first nine months of the year but still fell dramatically in the crash, whilst the Japanese market rose to a peak in October, fell back and has almost recovered to the same level within a few months.

More fundamentally, it is unlikely that the October crash is sufficient to undermine most of the public and corporate managerial policies of recent years which have been based on some sort of faith in stock market rationality. Even the proposal made in the Brady Commission report in the US that "circuit breakers" should be introduced to restrain dramatic price movements and, implicitly, to allow the negative feedback players to reassess themselves has been strongly challenged. At most, in October, circuit breakers might have meant that share prices fell more slowly but to their same ultimate level.

But the crash demonstrated, he said, the flimsiness of the tools for forecasting long-term profitability on a macroeconomic level and for analysing the absolute values of financial assets in relation to those forecasts. The principle behind the simple form of the efficient market theory - that there is a single "true" value for the level of share prices - has to be replaced with a view that there is a very wide range of plausible values.

Faced with chronic uncertainty as to what the true level of share prices should be, investors are forced to take their lead from each other and increasingly from investors in other world stock markets. At a time of high volatility and share price volatility, as during the weekend before October 19, the risks of contagion from one market to another are increased.

However, the events of 1987 cannot be adequately explained by the growth and burst of a speculative bubble in

average. The credibility of those who claim to have foreseen the crash is greatly diminished by the error of their forecasts of doom in earlier years and by the emphasis they put on Japan as the most vulnerable market.

The underlying point is that stock markets are highly effective devices in a technical sense for ensuring that share prices swiftly and effectively impound a wide range of opinions and information about companies - and there are few if any individuals of sufficient insight and perception to outguess consistently the sum of human forecasting ability that share prices reflect.

Prof Jensen, another influential efficient market theorist, fears that the crash will be seen by history to have encouraged a fundamental shift in government policies away from the reliance on free capital markets that has characterised the 1980s and towards renewed state intervention. (Indeed, Prof Jensen argues that the first signs of such a shift in policy in the US helped precipitate the crash.) Most observers, however, take a more relaxed view. According to Mr David Damant, of Paribas Asset Management, one of the first City practitioners to be converted to the efficient market theory: "I have much more difficulty in finding a rationale for such a giddy crash than for what happened in 1974-75. But the real point is that the stock market does not have to be very efficient to be a better allocator of capital than some committee in Whitehall."

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ADMITTEDLY one seems to have been going on for ever and the other for not very long, officially. One has been consumed with sex, religion and race, plus a little plagiarism, while the other has only recently passed the poster phase. But it is possible to start drawing some intriguing comparisons between the presidential campaigns in the US and France.

Both so far have been dominated by septuagenarians who have hardly said a word. President Ronald Reagan cannot constitutionally run again, but could have made his preferences known by now. However, whereas Dwight Eisenhower's coolness towards Richard Nixon in 1960 did not help his Vice President, Mr Reagan's silence has worked to George Bush's advantage. This probably suits the President - being a good Republican, he presumably wants one of his own to succeed him.

Certainly, the Republican Party alternatives to Mr Bush were never that strong. Messrs Robertson, Kemp, Haig and Dupont always had limited, albeit vocal, constituencies as - if the truth be told - did Senator Robert Dole. His support seemed more potent because it was based in Washington, a town grotesquely described by Fred Barnes of the New Republic as "increasingly insular, arrogant, elitist, power mad, addicted to luxury and mindless political combat and, worst of all, downright hostile to the non-Washington masses." Which is to say that Mr Dole in 1988, as in 1976 when he

Close only counts in horseshoes

was President Gerald Ford's running mate, was never likely to travel well outside the Beltway.

President François Mitterrand's verbal reticence is demonstrated by the fact that his most memorable utterance in the campaign has been "oui", just a minor variant on the "non" which Charles de Gaulle established as the norm for French presidential pronouncements.

Having eliminated the possibility of a Socialist challenge, Mr Mitterrand's purpose, of course, was to permit his country to reflect on the merits or, as he perceived it, drawbacks of his rivals to the right, Jacques Chirac and Raymond Barre. As a tactic, it has worked beautifully, so far.

Thus, a critical element of the French election is a battle for the soul of the right, a conflict which, Mr Mitterrand assumes, can only strengthen his cause. In the US, before the Bush bandwagon - with Mr Reagan as its unseen driver - began to roll, it had appeared that a similar battle would be waged as much for the hearts and minds of conservative Republicans as for the consciousness of the more elastic Democrats. If Mr Mitterrand's tactical logic were transported across the Atlantic, it ought to be good news for the Republicans that the ideological battleground is now principally on the left.

AS BRITAIN'S Trades Union Congress assessed its policy on strike-free deals, the question arises: in what way do they differ from conventional collective agreements?

One of the hallmarks of the UK's industrial relations system is that collective agreements normally lack contractual status, but their terms may not be given legal effect by inclusion in the contract of employment. A no-strike clause, drafted so as to prevent the individual employee from participating in industrial action, may be incorporated provided it satisfies conditions set out in section 19(4) of the Trade Union and Labour Relations Act.

However, there is a common law principle that participation in industrial action normally involves an employee in a fundamental breach of contract. This helps explain why explicit no-strike clauses are rare in contracts of employment, even where there is a strike-free collective agreement. Such clauses were offered by the unions for the Government Communication Headquarters at Cheltenham, and for News International's Wapping plant, but were rejected by the employers.

For most unions, principle is at stake over the contractual status of collective agreements. It is presumed by section 18 of the Trade Union and Labour Relations Act that negotiations do not intend to create legal rela-

tions. This can be rebutted only by a clear statement that the parties intend the deal or parts of it, to be a legally enforceable contract. In practice, collective agreements hardly ever contain such clauses and it has been assumed that strike-free deals are no exception.

But this view must be modified following the General Motors strike-free agreement for its van plant at Bedford, a deal which was a precondition for its joint venture with the Japanese company Isuzu. The agreement, which involves several unions, states that the arbitrator's award will be legally enforceable on both company and unions. This obligation on the company might assist a union at a time when market power favours employers, but the corresponding obligation on it has an important implication for the lawfulness of strike action.

Suppose a union indicates its refusal to accept an award by organising or condoning a strike. The employer would then be able to enforce the union's duty to accept the award through legal action for breach of contract. It must be emphasised, however, that under the General Motors deal such legal action would

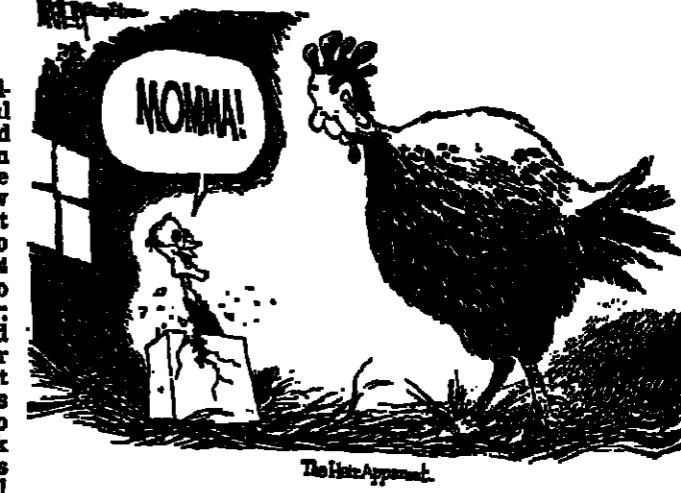
come from behind victories, on the scale of Harry S. Truman's triumph over Thomas Dewey in 1948, are uncommon. Hubert Humphrey nearly recovered from the ashes of the Chicago convention in 1968, but in the end fell short; Mr Ford almost erased the 20 point plus lead Mr Carter enjoyed in the polls in 1976, but, as Will Rogers or some philosoph-

ers have said, "close only counts in horseshoes." Incumbency can help paper over cracks, but this cannot be guaranteed. The Ford-Reagan primary conflict did not help the Republicans in 1976 and the Democrats were harmed by disaffection between the Jimmy Carter and Edward Kennedy camps four years later. But, in both cases, other factors were more important in determining the outcome. Mr Mitterrand profited from divisions in the incumbent right in 1981.

When an election is not in doubt, the opposition party can indulge in the dubious luxury of tearing at its own vitals. The British Labour Party is familiar with this phenomenon in the 1980s, as were American Democrats in 1972 and 1984 and Republicans in 1984.

It ought to be the case that the harder the campaign, the harder it is for the divided party (or, in France's case, parties) to recover. This is something that should concern Mr Bush more than Mr Mitterrand. Not only does he not enjoy the advantages of personal incumbency, but also, if he continues to say nothing for the remaining seven months of the campaign, the country may go to sleep on him while the Democrats wake up to an opportunity. But in both countries genuine

Chirac, whose unwillingness to campaign for President Valéry Giscard d'Estaing seven years ago still leaves bitter memories. In the US, much was made of the extent to which, first in 1980 and especially in 1984, President Reagan had redrawn the political map. His success in capturing the



Delano

young and some ethnic and religious minorities, traditional Democratic strongholds, seemed significant. But good Republican results have been thin on the ground since then. A CBS-New York Times survey found that about 20 per cent of those who voted Republican in the 1984 presidential election expected to vote for a Democrat this year, and the Democrats had suffered no new defections from their ranks four years ago. The net result was to put both parties level in national strength and to leave Mr Bush neck and neck with Governor Michael Dukakis of Massachusetts, the nominal Democratic leader.

But

reconciliation in the French right and the Democratic Party is complicated by the presence on the respective fringes of Jean-Marie Le Pen and the Rev Jesse Jackson, two men with little in common beyond an ability to get out the vote through "the politics of resentment." Both seem mainstream opinion in both countries.

Mr Jackson's appeal is much more complex and challenging for he is saying things that once were and, to a degree still are, pretty common and valued currency in American Democratic circles, whereas Mr Le Pen's National Front policies, whatever

visceral emotions they stir up, the French right needs Mr Le Pen, both for reasons of conscience and for the voters he can deliver. But the price could be high.

There is a final curious point of transatlantic comparison. Mr Mitterrand once espoused the cause of constitutional reform to shorten the presidential term - a subject he has now dropped. Out of the blue recently, Mr Reagan said he thought it ridiculous that American presidents should be limited to just two terms. An obvious solution would be to swap constitutions, or presidents, or both.

But pendulum arbitration may founder over the difficulty of defining the parties' final positions. It may also be unsuitable for complex disputes involving packages of proposals. Where the parties' final positions are unsatisfactory and yet the arbitrator has to give total victory to one side, it may be unfair and harmful to industrial relations.

Pendulum arbitration has not prevented isolated incidents of industrial action, but that proves little. In two of the cases culminating in a pendulum award (at Bowman Webber the award was for the union, and at Ivecor Ford for the company), both the arbitrators would have preferred a solution other than the parties' final positions.

My experience - based on the arbitration at Ivecor Ford - is that the requirement to find entirely in favour of one side's final position may make the hearing more adversarial and less of an inquiry into what the best solution would be. It may seem odd to describe as adversarial a technique designed to substitute rational argument for industrial muscle, but it underlines the point that unions which enter these arrangements do not necessarily compromise their independence.

The author is Professor of Law at Southampton University.

Bargaining with union independence

Strike-free deals in the UK: by Roy Lewis

strike clauses, they are said to

destroy the right to strike.

A reference to arbitration may arise in at least three ways. First, the employer and the union may jointly choose to exercise the option of making a request (optional joint reference); second, the agreement may specify that they must jointly make a request (mandatory joint reference); third, one party may have the power to make a request (unilateral reference). Both mandatory joint and unilateral reference are fundamentally consensual, since they are authorised by procedural arrangements under which the parties agree in advance to go to arbitration. Referrals via the Advisory Conciliation and Arbitra-

tion Service (Acas) - the normal route - have additional consensual elements in that both the form of the arbitration and the arbitrator's terms of reference have to be agreed.

Turning from theory to practice, what do strike-free agreements say about references to arbitration? Some envisage unilateral or mandatory joint reference, but others - notably

Acas adopts this approach as arbitration awards are morally, though not legally, binding.

This distinction was recently confirmed by the High Court when rejecting the National Union of Mineworkers' assertion that the awards of

the coal industry's National Reference Tribunal were contractually binding (*NCB v NUM* (1987)). The

General Motors deal is exceptional in stating - in language that satisfies the *NCB v NUM* test - that the award is to be legally binding at the collective level, with the implications discussed above for the lawfulness of strikes.

Pendulum arbitration, requiring the arbitrator to choose between the union's last claim or the employer's last offer, is one of the hallmarks of strike-free deals. Some commentators have argued that this mode of arbitration is suitable for settling conflicts of interests over new terms and conditions of employment. Others have focused attention on conflicts of rights over the application and interpretation of existing agreements. In

fact, pendulum arbitration may cover either category of dispute. The agreement between Cadbury and the Transport and General Workers Union for the plant at Clark, a forerunner of the new strike-free deals, envisages the option of pendulum arbitration for both interests and rights disputes. It also specifies different criteria for the arbitrator: the long-term prosperity of the company and its employees in the case of interests disputes, and current agreements and natural justice in the case of rights disputes.

Despite its North American antecedents, pendulum arbitration, says Acas, is similar to "straight choice" arbitration, which has a long tradition in the UK. In other words, something akin to pendulum arbitration is commonly found outside strike-free agreements. But its pros and cons have been largely debated in the context of these deals. It is said to provide an alternative to strike, which overcomes the defects of conventional arbitration by limiting the arbitrator's discretion, offering an incentive for settlement without resort to arbitration and encouraging closer and more reasonable positions.

Ethnic mix may defy solution

Letters to the Editor

From Mr P.A. Reeve. Sir, South Africa might well welcome a cage as proposed by Edward Mortimer (March 29), if it could be internationally guaranteed and had the effect of keeping unwanted intruders from crossing its borders.

The other type of interference of the bolder-than-thou kind indulged in by the liberal conscience is more difficult to deal with, but it becomes increasingly apparent that others will pay the price of it in blood.

The complex ethnic situation in South Africa defies any simplistic political solution. That is tragedy. The position of Mr Mortimer and those who think like him would be morally tenable if they would indicate clearly the ends they have in mind by using their means. On what national system would it be modelled? The United Kingdom? India? The USSR? The US? Uganda? All are flawed, but let Mr Mortimer be positive and constructive and come up with an answer which will satisfy the ethnic groups concerned, and assuage their fears of worse than extinction.

What is remarkable is that against the background of a brutal continent, there are so many people in South Africa - of all races - of high intelligence and civilised thought and conduct. This must offer hope, but how to build on it? Perhaps the churches should offer prayers for the salvation of the Afrikanders to calm their fears, and the rest of us should help to fund the South African infra-structure, with particular emphasis on education and housing for the less well-off.

As in 1952, political representation will follow, and probably much quicker than one might think.

P.A. Reeve,
Brighton,
North Green, Kelsale,
Suffolk

US banking system is vulnerable

From Mr Robin Munro-Davies.

Sir, In your leader ("Cost of bank bail-outs," March 25) you accuse Washington of insouciance and argue that the world would be better served if large banks were allowed to fail, with big depositors suffering losses.

You may be right. But I doubt it - and your own leader could be accused of a similar insouciance because it ignores the consequences of this in the banking industry we have two important support operations in progress, while the health of many large US banks is in doubt. If the US authorities were to follow your advice and let it be known that major depositors were likely to lose money if they kept their funds in a bank which failed, there would be a run on the deposits of several big US banks in a very short time.

Of course, such a run could be dealt with by liquidity support from both the Federal Reserve and, possibly, other banks, but such an exercise would certainly have heavy costs both politically and economically.

Your solution - allowing a few important banks to fail - would certainly punish some depositors. However, the scale of the damage that would be done is out of all proportion to any benefit that might be gained.

Robin Munro-Davies,
EBCA,
Eden House,
2 Eden Street, EC2

Member states might not behave perfectly

From Mr Chris Sowden.

In "The need for a European currency" (March 24), Samuel Bunting seems to ignore the effects of fiscal policy.

Unless one assumes perfect capital mobility between countries, it is fair to say that a country's interest rates are determined by a combination of its government's fiscal and monetary policy. With a joint currency, interest rates would depend on the central banks'

management.

In consequence of this, in the banking industry we have two important support operations in progress, while the health of many large US banks is in doubt. If the US authorities were to follow your advice and let it be known that major depositors were likely to lose money if they kept their funds in a bank which failed, there would be a run on the deposits of several big US banks in a very short time.

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Chris Sowden,
Hartwood House Sixth Form
College,
Holbury St Mary,
Dorking, Surrey

Tensions in Northern Ireland

From Miss M. Ogden.

Sir, The Financial Times published a major article (February 20) on the subject of Northern Ireland and the Anglo-Irish Agreement.

The language and tone of the article seemed chosen to aggravate the distrust and fear of the people of Northern Ireland towards each other. Confrontational terms were used to label the Northern Ireland people and people in the Republic of Ireland.

The normal situation was stated to be one of bigotry and fear of one religion against another. John Lloyd seemed to me to be suggesting that the Government's aim, in continuing the Anglo-Irish Agreement, was the manoeuvring of one religious group into subjection under an unacceptable Catholic country.

The normal situation was stated to be one of bigotry and fear of one religion against another. John Lloyd seemed to me to be suggesting that the Government's aim, in continuing the Anglo-Irish Agreement, was the manoeuvring of one religious group into subjection under an unacceptable Catholic country.

This is not responsible journalism.

M. Ogden,
55 Whitehart,
Reabrook,
Shrewsbury

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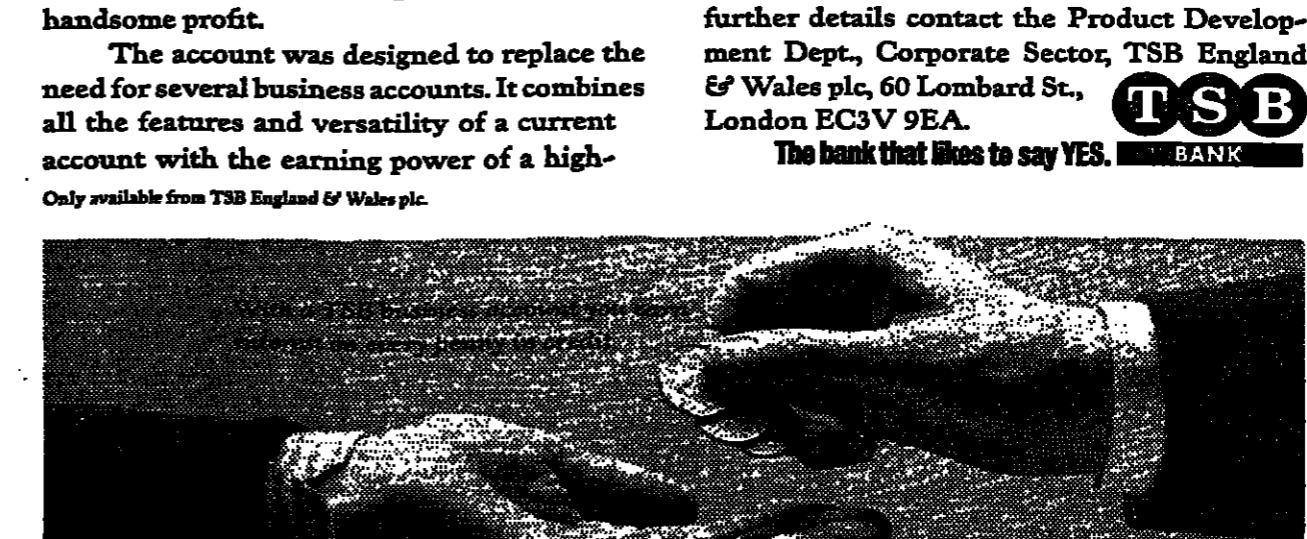
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The 'contingency fee' legal system has its darker side

From Mr P.S.R. Johnson.

Sir, The contingency fee legal system so enthusiastically endorsed by Mr Robinson (Letters, March 24) has its darker side.

In the United States under this system a positive industry has grown up, in which lawyers encourage their clients to make absurd claims for compensation in circumstances which are not reasonable by normal standards. This forces the insurance industry to raise premiums to prohibitive levels, or even to decline to underwrite the risk at all in future.

It also causes insurers to write their policies in such restrictive terms as not to provide the security - essential for professional organisations if they are to operate freely and effectively - against accident or malpractice.

The medical profession suffers particularly in these circumstances - and ultimately, of course, so do its patients.

This is not to deny the merits of parts of Mr Robinson's letter, but on present evidence the solution does not lie solely in a profit-related litigation system.

Frank Johnson,
9 Hazel,
Tiverton, Devon

John Fleming (FT, March 11) speaks eloquently of the supposed benefits of the "contingency fee" system. There are undoubtedly benefits for the plaintiff bar. However, anyone connected with the liability insurance business in the US will tell you that "the ambulance-chasing attorney" has done more to harm the public at large, by forcing unmeritorious settlements ultimately leading to expensive insurance - when insurance is not withdrawn altogether.

Under English law the basic responsibility of a plaintiff to accept that if he fails to prove his case he may have to pay the defendant's costs is a protection to citizens who may be unfortunate enough to be dragged into a lawsuit through no fault of their own.

INTERNATIONAL BONDS

Billion dollar question looms after a spell of bright weather

"AT THE end of last year the market was fearing a nuclear winter; what happened was an Indian spring," said one syndicate manager last week, looking back on a surprisingly clement first quarter in the Eurobond market.

The stabilisation of the dollar apparently gave the lie to the doomsayers who had seen last October's stock market crash as the last body-blow to Eurobond markets, the purely fixed interest side of their business had long-sickened and now their profitable equity-related business was being run dry from them.

But in January and February found new issues deals ballyhooing fixed-rate Eurodollar bonds for sale to investors suddenly anxious to fill the vacuum in the dollar-denominated parts of their portfolios. It was just like the good old days.

Or was it? The million dollar question hanging over the market is whether the US currency will plummet now that the start of a new fiscal year in Japan has removed the need to support it for accounting reasons. If, as some fear, the dollar hits Y110, then in the Eurodollar sector at

least it might as well rain until September.

Already by the end of March, the early days of the year when Merrill Lynch Capital Markets felt confident enough of investor demand to launch a \$300m 10-year bond for Sweden seemed a long time ago.

Last week saw the reappearance of the two-year Eurobond - a \$100m deal for Toronto-Dominion Bank. So short-dated an instrument, designed to appeal to investors retreating down the yield curve for defensive purposes, was unknown to the market during its great bull phase.

Moreover, if it is unlikely that even the comparatively riskier business of the first three months of this year generated enough profits for Eurobond departments, which notoriously accumulated vast overstocks over the last few years to pay their way.

As one old syndicate desk hand remarked last week: "Personally, I have never been able to see how you could make any money out of the Eurobond market per se." The rot set in a long time ago - once investors woke up to the fact that there was no reason for them to buy a bond at par if it

was trading at three full points below that in the grey market.

After that, houses involved in new issues business, by and large had to attempt to make up on the related swap, and other services that could be provided to the borrower, the money that had been lost in launching the bond.

This year, however, there has been much talk of a "new realism" in the approach to pricing bonds. Eurobond houses have been careful to match new issues to investor demand, both in terms of pricing of individual deals and of volume, syndicate managers insist.

Houses such as Salomon Brothers International and Goldman Sachs have hardly underwritten a single bond while no house, these days, would admit to accepting a co-management position purely for relationship management.

Just one deal has blatantly headed back to the days when Eurobond houses would offer borrowers almost any terms just to obtain a mandate. This was a \$250m deal for General Electric Capital Corporation led by LTCB International in February.

However, the placement that

TOP TEN EUROBOND LEAD MANAGERS			
Manager	\$m	%	Issues
Deutsche	4.89	10.7	32
Nomura	3.63	8.7	30
CSFB	3.30	7.5	20
Daiwa	3.21	7.3	30
HSBC	2.38	4.5	15
Merrill	1.98	4.5	10
Worburg	1.89	4.3	9
Yamachishi	1.55	3.6	12
J.P. Morgan	1.53	3.5	11
BT	1.38	3.1	12
Industry	43.80		370

Pat credit to *Investment*
Source: Euromoney Bonds

has been achieved on other issues may have been more talked about than real. Union Bank of Switzerland (Security), for instance, is said to have withheld the full amount of underwriting fees from its issues of at least one recent bond. A house may choose to do so if it loses enough money on supporting an issue by buying it back in the grey market.

These issues may have been unusually badly priced, but nevertheless it makes one wonder how many other bonds that have

been vaunted as well-priced and well-placed have in reality ended up on underwriters' books. Certainly, a great many of the Eurobonds deals issued while the dollar was on the rise at the beginning of the year are believed to have passed to Middle Eastern trading companies which quickly sold bonds back into the market after taking a small turn.

It seems clear, however, that Continental interest in Eurobonds has picked up. The expectation that withholding tax will be imposed on West German

domestic securities from next year is one factor currently underpinning Continental involvement.

Retail European buyers have reportedly been steady buyers of bonds in the higher-yielding currencies such as Canadian dollars and sterling. But this does not necessarily mean that houses with wide retail outlets are enjoying fat profits. Indeed, they complain their margins are being squeezed as more and more competitors chase a finite number of retail accounts.

The key element which has been missing is large-scale Japanese involvement. This has been indicated by the fact that the Japanese securities houses have launched very few straight fixed rate bonds, mainly confining themselves to the bond-and-bill business of launching equity warrants bonds for Japanese borrowers.

The Eurobond market may have emerged from the last year or so a far leaner, fitter and cleaner place than it used to be. But participants agree that overheads built up over the last few years are still too high for the amount of business there is to go round.

Clare Pearson

The most fashionable school now espoused by Citicorp and all those other firms recently converted to "functional management" would be the point in irrelevant reminiscence of discussions at a greengrocer's shop about a tomato's status as a fruit or vegetable. If an investor wants a three-year piece of paper, what does he care whether it's a Eurobond or an MTN?

In the syndicated loans market, Midland Montagu Commercial Paper arranged for Laura Ashley, the UK clothing and furnishings group, with Barclays de Zoete Wedd and Kleinwort Benson also acting as dealers. There is a US dollar option.

Stephen Fidler

was signed. The loan, led by Citicorp and provided by it and several other banks, represents the remaining portion of finance for its takeover of Courage, the UK brewer.

At the other end of the bridge it is likely to be a medium-term syndicated financing, possibly off balance sheet and possibly secured to the Courage pub.

In sterling commercial paper, Midland Montagu Commercial Paper arranged for Laura Ashley, the UK clothing and furnishings group, with Barclays de Zoete Wedd and Kleinwort Benson also acting as dealers. There is a US dollar option.

Net debt fell 28 per cent to £405.8m with the result that debt repayments fell from 4.2 to 2.8 per cent of turnover.

Eridania shows small advance to L43bn

By Alan Friedman in Milan

ERIDANIA SpA, the Ferruzzi group's holding vehicle for its sugar and other agroindustrial interests, reported net profit for 1987 of L43.3bn (£35m) against L42.5bn in 1986. The parent company's turnover was L790.1bn, up slightly on L768.7bn.

The figures do not include results from Beghin-Say, the French sugar group which is 52 per cent owned by Eridania.

Eridania said that taking into consideration all of its agro-industrial holdings on an aggregate group basis it expected to achieve 1988 turnover of L8,500bn.

This is nearly three times the 1986 level because of acquisitions made in 1987, including the European corn starch operations of CPC, the Lesteur foods group in France, Central Soya, the US soybean concern, and others.

The Ferruzzi group, including its agro-industrial interests, is expected to have a 1988 total turnover of around L14,000bn.

• Salsi Bpd, the defence and specialised engineering company controlled by the Fiat group, has reported a sharp fall in consolidated net profits in 1987, writes John Wyles in Rome.

With turnover virtually static at L2,431bn, net profits fell from L83.5bn in 1986 to L30.5bn last year. Operating profits fell slightly from L132.8bn to L131.1bn.

The company says that the year was a poor one for its defence and space equipment activities, but fibres, chemical and bio-engineering all registered an increase in operating profits.

Net debt fell 28 per cent to £405.8m with the result that debt repayments fell from 4.2 to 2.8 per cent of turnover.

EUROCREDITS

Doing nothing to overcome a wall of market scepticism

THE DOLLAR'S instability through much of last week was sufficient to scare off international investors from most US dollar-denominated securities.

For the emerging market in Euro medium-term notes, with estimated outstandings of \$2.6bn, it was time "to educate investors about the advantages of the market" - the market euphemism for Nothing Doing.

Indeed, dealers who daily have to cope with the task of selling these notes admit there is still a wall of investor scepticism. To overcome before the market - where notes of longer than one year in maturity are offered on a continuous basis - can take off as it has in the US.

Despite the flexibility in

choosing amounts and exact maturities that MTNs are said to offer to investors, they remain doubtful about their ability to sell the notes back, once bought, and about the longevity of the market.

Dealing firms are stressing their commitment to MTNs, describing the market as An Idea Whose Time Has Come.

Citicorp Investment Bank, for example, is emphasising the product in a reorganisation of senior management of its London securities division. Mr Len Harwood, formerly responsible for Eurocommercial paper operations, is now in charge of all securities distribution at the operation. Mr Brian Woolley, one-time head of loan syndication

in London, will head product management and development, and Mr Willi Simon heads product origination and relations with issuers.

"We believe Euro-MTNs will take a growing share of business from the Eurobond market," Mr Harwood said. One of its stated aims is to build on its leading position in the Eurocommercial paper market to increase market share in the emerging market in Euro-MTNs.

Citicorp's never been strong in the distribution of Eurobonds, so such a view is predictable. Yet the move does illustrate a divergence of opinion about how the market should be viewed by dealers, which may have contributed to its slow growth.

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CONTRACTS

Road network progresses at London Docklands

Five contracts, totalling more than 547m, were let last month for new roads in the Royal Docks, which has started, will link the London City Airport Access roundabout on Connaught Road to North Woolwich Road. Phase 1A of the Connaught Crossing scheme, also constructed by Norwest Holst, which provides access to London City Airport, was completed last October, in time for the airport's opening by the Queen.

A £26.5m contract for the Royal Albert Dock Spine Road has been awarded to EDMUND NUTTALL representing the largest single infrastructure contract let by the LDDC to date. The 27-month contract has started.

The road will be the major east-west link between the Connaught Crossing and the Eastern Gateway Access Road, serving developments on the north side of the Royal Albert Dock. The dual two-lane road will run south of and parallel to Stratford Road along the full length of the Royal Albert Dock.

Intermediate roundabouts will serve the area and, in two cases, allow for integral stations on the proposed eastern extension of the Docklands Light Railway.

PETER BURSE has won a £10.3m contract for Phase III of the Connaught Crossing. The 24-month contract has started, and involves replacement of the single-lane swing-bridge between the Royal Victoria Dock and King George V and Royal Albert Docks. A new four-lane steel swing bridge, with concrete approach viaducts to the north and south, will be constructed with a clearance of 5.5 metres, allowing small boats to pass underneath.

The contract for Phase IB of Connaught Crossing has been let to:

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FINANCIAL

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AMERICA

Half-hearted rally runs out of steam

Wall Street

A HALF-HEARTED rally in equities yesterday morning, as bond prices slumped, lost steam and both bonds and equities ended lower on the first trading day since the long Easter break, writes *Janet Bush* in New York.

The Dow Jones Industrial Average closed 7.46 points lower at 1,980.60. Volume was high with about 183m shares changing hands, but dealers noted that a great deal of this activity revolved around stocks to go ex-dividend.

The index had rebounded to a gain of 45 points in morning trading but then drifted back for the rest of the session.

The gloom in the US bond market deepened as prices slumped by as much as 1½ points in reaction to Friday's news of a 262,000 jump in March non-farm payroll employment. At their worst levels, bond prices stood about 1½ points lower.

However, by late trading, bond prices had clawed back some ground. The Treasury's 8.375 per cent benchmark 30-year issue was quoted 1½ points lower in late business to yield 8.88 per cent. Its price managed to hold just above par at 100½.

Yesterday was the first time both markets had the opportunity to react to Friday's figures because of the Easter holiday closure. Bonds also had to digest another piece of evidence about the economy yesterday which, on the whole, showed signs of economic strength.

MARKETS in Europe and South Africa were closed yesterday, except for the Madrid Bourse where shares closed mixed after a dull, thin session and the general index edged up 0.52 points to 271.43.

The latest report by National Purchasing Managers, regarded as a key indicator of demand in the economy, showed that growth slowed for the third consecutive month in March. However, there was evidence of stronger growth ahead with a strong new orders component.

Although stocks seemed to benefit somewhat from the extreme weakness in the bond market, sentiment is still unsettled because of continued weakness in the dollar and nervousness about trade legislation being discussed in Congress.

Blue chips were weak. International Business Machines slipped 8½% to 107½, Eastman Kodak fell 3½% to 107½, and

Procter & Gamble was down 3½% at 377½. Bethlehem Steel eased 3½% to 320½ and AT&T was down 3½% at 325½.

The Dow index was helped considerably by the surge in F. W.

Woolworth which jumped 8½%

after the company said it had been notified that a group

controlled by Mr Herbert Haff, chairman of Dart Group, had filed for Federal clearance to buy up to 15 per cent of its stock.

Moore McCormack Resources added 3½% to 340½ after the company said it was in talks with certain third parties which could lead to its acquisition. These third parties are reported to include Southdown, which had been notified that a group

controlled by Mr Herbert Haff, chairman of Dart Group, had filed for Federal clearance to buy up to 15 per cent of its stock.

The Dow index was helped considerably by the surge in F. W. Woolworth which jumped 8½% to 364½ after the company said it had been notified that a group

controlled by Mr Herbert Haff, chairman of Dart Group, had filed for Federal clearance to buy up to 15 per cent of its stock.

The composite index, which had risen about eight points in earlier trading, slipped 0.90 to 313.00 as advanced outnumbered declines by 383 to 329 on light turnover of 14.8m shares.

Campneau Corp, which succeeded in its battle to buy Federated Department Stores, climbed C\$2 to C\$24½. In other actives, class B shares of Laidlaw Transportation, which said last week it was looking for a buyer, slipped C\$½ to C\$21½.

Among broadly rising golds, American Barrick advanced C\$½ to C\$26½, Placer Dome won C\$½ to C\$16½ and Echo Bay gained C\$½ to C\$27½.

Base metals were mixed. Noranda dropped C\$½ to C\$22, Alcan Aluminum firmed C\$½ to C\$33½ and Falconbridge was unchanged at C\$23½.

Union Carbide lost 3½% to 222½. An Indian court ruled that the company must pay \$12m in interim relief for victims of the 1984 Bhopal gas leak.

Corning Glass Works rose 3½% to \$11½ after the company

ASIA

Price worries erode Nikkei gains

Tokyo

GROWING wariness of high prices combined with the Tokyo dollar bond market's tumble eroded early gains and held the Nikkei average to a moderate rise in Tokyo yesterday, writes *Shigeo Nishizuka* of *JPJ Press*.

The Nikkei stock average ended 53.17 up at 26,336.21 after moving between 26,309.19 and 26,445.87 on a volume of 1,110.91m shares, down from 1,308.98m on Friday. Advances led declines by 583 to 336, with 142 issues unchanged.

The market opened firmer following on from a strong showing Saturday. Buying focused on giant-capital and high-technology stocks but, buying interest began to weaken in mid-morning, dragging down a number of large-capitals.

Anxiety grew when the index surged close to its October 14 peak of 26,646.43. Individual investors were worried about a possible tightening of restrictions on margin trading ahead of today's announcement of a buy-

ing balance on margin transactions on the stock exchange last week. The buying balance had hit a record high for the fourth week running.

Investors were also discouraged by the news that the yield on 30-year US Treasury bonds had soared from last week's close by 0.125 per cent to 8.891 per cent in Tokyo trading.

Many of them retreated to the sidelines in the afternoon to wait and see how the US bond and equity markets performed.

Big-caps continued to account for the bulk of trading. Nippon Steel was again the most active stock with 157.01m shares traded, including a large buy order for 25m shares from a business corporation via Daiwa Securities but it closed Y3 down at Y701 after matching its all-time high of Y493 at one stage.

Sumitomo Metal Industries was second busiest with 122.77m shares traded. It finished Y3 down at Y417 after strengthening Y3 temporarily, while Kawasaki Heavy Industries shed Y10 to Y403 and Kawasaki Steel Y2 to

Y397. Conversely, Mitsubishi Heavy Industries added Y8 to Y10 on bargain-hunting.

The high-tech sector, after a firmer start, eased on the yen's appreciation against the US dollar. One exception was Mitsubishi Electric which gained Y3 to Y745. Matsushita Electric Industrial dropped Y30 to Y2,550 and NEC Y10 to Y2,080.

Some large-capital chemicals came into the spotlight, with Showa Denko climbing Y1 to Y770 and Mitsui Toatsu Chemicals up Y6 to Y841.

Bonds surged strongly in active trading in spite of the absence of fresh developments.

The market began on a soft note but later regained ground due to buying of bonds with coupons of around 6 per cent by life and non-life insurance companies and trust banks.

The yield on the benchmark 5 per cent government bond maturing in December 1997 plunged from 4.315 per cent finish on Saturday to 4.25 per cent after rising briefly, to 4.356 per cent.

The Straits Times industrial index fell 8.14 points to 917.68 from Thursday's close of 925.92. Falls led rises by 124 to 19 and turnover shrank to 10.5m shares from 18.4m.

Singapore

IN LETHARGIC trading in Singapore share prices closed marginally lower over a broad front on lack of buying interest and some selling by small investors.

The move by the US to end amid renewed political uncertainty in Malaysia.

The yield on the Straits Times industrial index fell 8.14 points to 917.68 from Thursday's close of 925.92.

Falls led rises by 124 to 19 and turnover shrank to 10.5m shares from 18.4m.

SPONSORED SECURITIES		Change	Price	Days	Yield	PE
200/2	Am. Brit. Ind. Ord.	0	8.9	4.5	7.3	
195/2	Am. Brit. Ind. Ord.	0	10.8	5.1		
725	Armenia and Belarus	2	2.1	3.9	8.5	
4388	BBS Design Group (ISMX)	53	0	2.7	1.7	27.0
103104	Bardion Group	158	0	4.7	3.4	11.6
7983	Bray Technologies	138	0	11.5	4.4	4.7
910	CCL Group Ordinary	260	0	15.7	12.1	
1025	CCL Group 11% Cons. Pref.	130	0	15.7	12.1	
16259	Carboneera 7.5% Pref.	102	0	10.3	10.2	11.5
714	Carboneera 7.5% Pref.	102	0	10.3	10.2	11.5
3949	George Blaik	214	0	3.7	1.7	5.5
5337	Group	67	0	-	-	-
6254	Hanjin Group	89	0	3.4	3.8	9.8
2925	Hanjin Group N.V. (ISMX)	300	0	10.4	3.2	11.1
418	Harter Jenkins	41	0	-	-	-
5580	Sorutives	124m	0	5.5	4.4	11.8
5425	Taylor & Francis	198	0	6.6	3.3	9.6
2797	Treasury Holdings (USM)	65	0	2.7	4.2	7.8
6255	W. S. Yates	260	0	13	16.2	51.5

Securities designated (SD) and (DSMD) are dealt in subject to the rules and regulations of the Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA.

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Palace Hotel, Madrid

9 & 10 May 1988

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D. Manuel Marín

Minister of the European Communities

Mr Peter Leslie

Buchs Bank

Mr Peter Sutherland

Commission of the European Communities

Dr Martin Baumann

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US\$200,000,000

American Express Bank Ltd.

Floating Rate Subordinated Capital Notes Due 1988

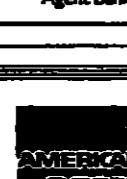
Notice is hereby given that for the Interest Period 6th April, 1988 to 6th July, 1988 the Notes will bear interest at the rate of 7½% per annum. The interest payable on 6th July, 1988 against coupon No. 5 will be US\$178.52 per US\$10,000 nominal and US\$4,463.11 per US\$250,000 nominal.

DATED THIS 6TH DAY OF APRIL, 1988.

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